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INTEREST AND PROFITS.

Adam Smith and his contemporaries analyzed the price of commodities into three component parts—wages, profits and rent. Neither of the last two terms was used exactly as we use them to-day. Rent, in its modern sense, is the payment for land as distinct from improvement ; profit, in its modern sense, is the return for managing ability as distinct from capital. But, to Smith's mind, rent was the payment for the land and the permanent improvements which it carried with it ; profits, the return for the managing ability of the employer and the capital which he employed. Both rent and profits, as Smith understood them, included a large measure of what modern writers would call interest. Rent was substantially a return on long-time investments when made with foresight ; profits, a return on short-time investments, when managed with ability.

Among the many changes made by Ricardo in the form of Economic Science, none was more important or characteristic than his recognition* of interest as distinct from rent.

* Even more clear in fact than in expression.

Ricardo was a banker, familiar with the conception of market rates of interest, and the effect of those rates on the profit or loss in financial transactions. He saw that the real profit of an enterprise was not the total return above current expenses, but the excess of such return above current rates of interest on the capital employed. The real ground-rent of a piece of improved land was not the total amount paid for such land by the occupier, but the excess of this amount above the interest on the capital invested.

Had Ricardo and his followers contented themselves with pointing out a new component in the price of commodities there would have been an unmixed gain in clearness of analysis. But they did not stop here. They treated interest as representing the capitalists' just share in the distribution of wealth; and they supported this idea of justice by arguments so inconsistent or superficial as to furnish every opportunity for the attacks of the socialists. They have represented interest as a reward of abstinence; in the face of the fact that those whose interest accounts are largest have generally had to practice the least abstinence. They have represented it as due to the inherent productivity of capital, in spite of the fact that large accumulations of capital present opportunities for waste and loss quite as conspicuous as those for efficiency and profit. The masterly analysis of Böhm-Bawerk has submitted these theories to a criticism at once so searching and so just that it is unnecessary to do more than refer the reader to what he has written.

And yet, with all respect to the eminent author just named, we may be pardoned for saying that his method appears in some respects unsatisfactory. He often seems to treat simultaneously two sets of enquiries which are best handled separately. The causes which have produced the *system* of interest are radically different from those which determine the *rate* of interest. The tendency of political economists with few exceptions has been to confuse the two, and to try to take one step where two are absolutely necessary. The system

of interest is an institution recognized by society because of its advantages to society. The rate of interest is the result of a set of estimates and valuations on the part of individuals living under the institution and accustomed to the system. The excellence or permanence of the institution does not necessarily depend on the correctness of the estimates of individuals.

Unless this distinction is borne in mind every effort to give precision to our ideas of interest is liable to make the confusion worse. For instance: we are told that interest is justified by the productivity of capital. Now in a rough way, this has a large element of truth. If capital is saved and utilized, society gets more goods for its labor; and it is compelled to offer incentives, of which the system of interest is a most powerful one, to cause capital to be thus saved and utilized. But the modern economist is more precise. He tells us that interest cannot be offered merely because the output is increased; it may be that the price will fall so fast that the larger output will command a smaller aggregate return, and then no interest can be paid. To enable a man to offer interest, he says, the new investment must increase profits as well as products. This may be true economically; it is untrue sociologically. It may be that a man cannot afford to do it; it remains certain that he frequently does it. A great deal of interest is offered and paid on investments which do not increase profits. Such payments are not collected from the consumer; they do not go to increase the share of capitalists as a class; but they are none the less an important part of the actual interest transactions.

It is the aim of this paper to show that the justification of interest, as an institution, is not to be sought either in the interest productivity of capital, or in the difference of value between present and future goods; but in the fact that it furnishes a means of natural selection of employers whereby the productive forces of the community are better utilized than by any other method hitherto devised. This view of

interest differs from those which have been previously held in the same way that the theory of civil liberty of the nineteenth century differs from that of the eighteenth. We no longer seek to deduce liberty from the nature of man, nor do we deny that liberty involves frequent and flagrant errors; but we have found that the modern system of civil liberty is the best available means of combining progress with conservatism, and that its very errors form a means of eliminating the bad and may thus indirectly serve as a gain to society. Let us in like manner cease to deduce interest from the nature of capital; let us cease to insist on a connection between the institution of interest and the correctness of judgment of those who offer it; let us look at its history as a means of combining industrial progress with industrial conservatism; as a means of elimination of the industrially unfit from any position of leadership which they may have attained; as a system which makes the wrong judgments as well as the right judgments of individuals ultimately serve as a means to the advance of society.

We can without much difficulty trace three stages in the development of modern industrial law; the first, where a man was allowed property as a stimulus to labor and save; the second, where he was allowed profits as a stimulus to exercise skill and foresight in management; and the third, historically almost coincident with the second, where he was allowed to offer interest to induce others to give him the means of exercising his skill and foresight over the widest range.

Communism had tended to prevent the production and accumulation of resources without which no race can advance to the higher stages of industrial civilization. Private property, even in its ruder forms, did better. It afforded a stimulus to production; while the institution of the family enabled food consumption to be kept below the limit of food production, and allowed the accumulation of a surplus in individual hands.

The next step in industrial progress was to make this individual surplus serve as a means of social progress. This was accomplished by the development of free competition. By encouraging a man who had accumulated or inherited resources to use them in a far-sighted manner, society gained the fullest advantage from those resources. Even if such an individual made a large profit the gain which accrued to him as an individual was but a small fraction of that which accrued to society as a whole. If society would have the gain, it was forced to allow the profit. Any departure from traditional methods involved large risks to him who first attempted it; and society could not expect the capitalist to take large risks without the chance of considerable profits. The man whose land improvements had turned out well was allowed by our system of land tenure a monopoly of the location which he had developed. The man whose methods had turned out well was allowed by our system of patent right a monopoly of the process he had exploited. The profit in either case accrued to him as a capitalist. The history of land tenure makes this point extremely clear. In the passage from the twelfth to the sixteenth century in England, we can trace the change from a feudal rent paid to a political authority for *security*, to an economic rent paid to a capitalist for *permanent improvements*. The *amount* of rent in the particular case might not, and did not always, correspond to the cost of the improvements; but the system of industrial rent was developed for the sake of those improvements, and rent in the aggregate may fairly be regarded as the price paid for the improvements as a whole.

We have thus far traced the effect of private property as a stimulus for the saving of capital, and of profits or rent as a stimulus for its utilization. But we have not yet touched upon the causes which led to the recognition of interest. If the view of this paper is correct it was developed not as a stimulus for the saving or the investment of capital, so much as for promoting the natural selection of the fittest employers

and the best processes. And this system of natural selection constitutes the third and last step in the development of the modern industrial order.

In any large investment there are two classes of interests, represented roughly, by the stockholders and the bondholders of a railroad. The former class wants *control*; it is willing to take risks and pay for them for the sake of contingent profits. The latter class wants security and fixity of returns; for the sake of this it is willing to delegate control and to abandon possible chances of large gain. The modern system of interest is nothing more than the recognition of these two classes of investors and their mutual relations. Interest results from a contract between two capitalists uniting in a common enterprise. It is a sum paid by one investor to another investor—out of capital, if necessity shall require. If the borrower has not capital enough to cover such contingent necessity, the contract is one of insurance or of fraud—more commonly the latter. This is exemplified in those cases where railroad stock is nearly all water, or where a merchant uses his credit in operations whose risk is beyond the amount of his own personal possessions.

It is a further essential of interest, as a system, that lender and borrower shall invest their resources. Where interest is offered in connection with other objects than investment, as in the case of a pawnbroker's shop, the transaction does not command public approval and is stigmatized as usury. It was because mediæval interest transactions were for purposes other than investment that they were discountenanced by public opinion and prohibited by canon law. When there was a demand for capital for investment, it did not take long for the canonists to invent theories of *lucrum cessans* which made their traditional prohibitions nearly void.

If this view is correct interest from the standpoint of the borrower is the price paid for the control of industry. Capital gives its possessor the right to direct the productive forces of society and take the speculative risks in so doing.

When some of those who unite in an investment are anxious to do this, and others are not, the former stand ready to offer the latter a price for such rights of control and speculation. Such a price, let it be repeated, cannot be offered by the man without capital to the capitalist. A man must have some capital to be able to furnish the guarantee of repayment. It is paid by one capitalist for the sake of controlling another man's capital. It enables the enterprising men to get the direction of a larger amount of productive power than would otherwise be possible. If their methods are good it contributes to the more speedy adoption of these methods; if they are bad it contributes to the more speedy elimination from the ranks of the capitalists of the men who make such mistakes. The institution of interest is like that of joint-stock companies in giving men control of larger capital than they themselves own; while, unlike a joint-stock company, it automatically eliminates men from control when they make serious mistakes. At any rate that is theoretically true. In practice it too often happens that the money is borrowed by men who cannot really furnish the security and are handling other people's capital with little risk to themselves. In such cases the institution of interest is extremely bad. The bondholder in a railroad whose stock is heavily watered, often takes the real risks, with none of the rights of control possessed by a stockholder. The board of directors under such circumstances has every temptation to misuse its powers; and when the directors have made all the money possible at the expense of those who have trusted them, they withdraw with their profits to repeat the same operations in another field. Unless law and public sentiment are in some respects better than we find them in America to-day, the system of interest may tend to the aggrandizement rather than the elimination of those who waste society's capital.

Interest, from the standpoint of the man who offers it, is a payment for control—for the right to speculate, if we can dissociate this term from the odium which attaches to it—

countenanced by society as a means of getting its capital progressively managed. But what of the man who receives interest? Interest from his standpoint is commuted profits, or even commuted rent—using these words as Adam Smith did, in their concrete commercial sense, rather than their abstract economic one. Let me repeat the phrase, for it represents a conception rather unfamiliar to modern economics. Interest in one of its most important phases is *commuted rent*. A group of investors develop a farm or mine, build a factory or a railroad. They expect the average value of the annual output to be in excess of its current cost. This excess is rent or profits in the sense used by Adam Smith. The two terms are not clearly distinguishable, but rent is in general the permanent return due to foresight in an investment, and profit the more temporary return due to skill in its management. Now some of the investors prefer to take the chances of what that rent or profit will be; others prefer to commute those chances for a fixed annual payment. The latter receive interest; the former pay it. Society wishes to encourage both classes of investors and therefore allows such payments. It not merely gives the investor control of industries but allows him to dispose of such control, with its attendant chances, for the sake of a commuted return of fixed amount.

What is it that fixes the amount of this return and determines the rate at which profits shall be commuted? It was in answering this question that Ricardo introduced his chief modifications of Adam Smith's views, and developed an important truth to a further limit than the facts perhaps warranted.

Ricardo saw the fallacy in Smith's assumption of a "current rate of rent" as an element in the price of products. He saw that ground-rent was in large measure a consequence rather than a cause of price; that the land bears rent because of the price of wheat, instead of wheat bearing a price because of the rent of land. He separated what Smith had called rent into two parts, rent proper, and interest; one of which

was a consequence of price, the other a cause of it. The same analysis which Ricardo applied to rent has been applied by modern economists to profits also. The current economic thought of the day regards cost as composed of two elements, wages and interest. The price of a product, it is said, must cover these two things; in cases when it more than covers them, it leaves a surplus in the form of rent or profits. Neither rent nor profit represents a current rate of payment for anything but a *differential* gain.

This is true enough of rent and profit; but we doubt whether the distinction between these elements and the element of interest is anywhere nearly so sharp as many economists are disposed to make it. Why, it may be asked, do we regard interest as a necessary part of the cost of production while rent or profit is not? Partly because capital represents stored-up labor in distinction from natural resources or abilities, so that the use of capital in production may be regarded as labor-cost indirectly applied; partly because capital is competitive and can find profitable employment in any one of a variety of lines, while land or natural abilities have a monopoly under some circumstances, and no use whatever under others. The last distinction is much the more important one; indeed, under current theories of value, the only one of any special account. Under this view, interest differs from profits because a man with capital can get a return in any one of an indefinite number of lines, while a man with land or brains must use them for what they are specially adapted. We may conceive the orthodox economist to say, "Grant, if you please, that interest is commuted rent; nevertheless, the amount of rent is fixed by the circumstances of the particular industry or locality, while the rate of commutation is fixed by conditions affecting all industries and all localities. Interest is fixed by the demand and supply of loans. The demand is doubtless due to expected profits or expected rent in particular lines; but the supply is limited only by general conditions, which establish

a general *rate* of interest on good security, and leave the special demands of each trade to fix the *quantity* of capital directed toward one line or another rather than the rate of interest in that line.

No one would deny that such a state of things as this might exist; but whether it does actually exist is open to question. Loanable capital is not competitive to anything like the extent which this reasoning assumes. One man invests in England, another in America; one invests in farms, another in factories, another in railroads. A man can transfer his investment from one line to another more easily than his abilities; so far there is good ground for the distinction between interests and profits. But the difference is one of degree rather than of kind. Economic interest is an abstraction no less than the economic rent which is based upon it. There are different rates of interest on equal security in the same market. If everybody had equal intelligence in investment it would not be so. But this assumption is far from being realized. There are differences of intelligence in investment, just as there are differences of intelligence in business management. We have no more right to ignore the former in our theory of interest than to ignore the latter in our theory of profits. Capital as such has no more productivity than land as such or brains as such. Difference of valuation of present and future goods may establish a theoretical minimum of interest; but not through the agency of a single general market for loans.

The capitalists advance wages; they take their chances of the price of the product. The excess of price above cost is the amount received by the capitalists in the form of profits or rent. Rent and profits are paid by society to the capitalists for their investments or their abilities. Interest is paid by one group of capitalists to another. It is a commuted rent or profit paid for the control of industry by those who are willing to take the chances. As a rule it will increase or diminish as rent and profits increase or diminish—but not

necessarily so. It will absorb a large proportion of profits where many people want the control of capital and few wish to commute; while conversely it will absorb a small proportion of profits where there are few who want control and many who wish to commute.

The adjustment which the interest rate produces between demand and supply of capital does not operate solely or perhaps chiefly by attracting outside capital into the business. Outside capital is attracted by profits rather than by interest. It seems to go where there are large profits, rather than where there is large real interest.* But a change in the interest rate may powerfully affect the proportion of those in any business who do and those who do not commute the profits. With any given amount of capital the lower the rate of interest the more valuable is the control of industry, and vice versa. The adjustment between the numbers of active and passive participants in any line of industry is a most powerful means of equalizing the demand and supply of loans at any given rate of interest.

If these views be correct interest is essentially a price paid by one group of capitalists to another, for the control of industry on a large scale. The system is justified by its effect in the natural selection of employers and methods rather than by any contribution made by the individual receiver of interest to the good of society. The rate of interest does not depend so directly as has been supposed on a general market for capital, but is the result of commutation of profits in particular lines; the terms of this commutation depending upon the relative numbers of those who desire control and those who are willing to part with such control for the sake of avoiding the risks which it entails.

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* It is often unintelligently diverted into new lines by the offer of large nominal rates where the element of insurance or fraud is dominant.

THE AUSTRIAN THEORY OF VALUE.

In an article headed "Boehm-Bawerk on Value and Wages," published in the *Quarterly Journal of Economics*, October, 1890, I ventured to give some reasons for regarding the marginal utility theory of value as insufficient and unsound. Professor von Wieser, of the German University of Prague, has presented a paper to the Academy, containing a defence of the new theory.* In part his paper is a reply to my objections; in part it is a criticism of the classical theory. I have read and pondered very carefully all that the learned professor has so skillfully urged in behalf of the new doctrine; but I find myself wholly unable to perceive that, here or elsewhere, a good case has been made out for it. With the kind permission of the editors of the ANNALS, I propose to review, as briefly as possible, the main points at issue between the two theories. And, before entering on the subject, I wish to say that there is so much that is good and admirable, so much real light and instruction, to be found in the writings of the Austrian economists, that it would be a much more agreeable task to dwell on the points in which I am in full agreement with them, than to call attention to the errors into which they seem to me to have fallen. Further, in the practical outcome, their theories, so far as I see, do not lead to results that conflict with those reached by the classical school. While differing as to our modes of reasoning and our ways of stating our conclusions, I am unable to perceive that the Austrian economists differ in substance from the older school in their way of regarding the practical problems that vex our time. Both schools are at one in their rejection of the crude and shallow vagaries that have been advanced from so many quarters of late, as new economic gospel. While, then, we argue out, frankly and fully, our points of theoretic divergence, we must not

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forget our substantial agreement as to those weightier matters which make economic theory worth discussing at all. I am not without hope that the Austrian economists, on fuller consideration of the whole matter, may see reason to modify their present view as to the influence of marginal utility in the determination of value; and that the outcome of their brilliant activity may prove to be, even in their own judgment, not an overturning of the accepted doctrine, but a needful improvement and illumination of a previously neglected portion of it.

The points in controversy between the Austrian economists and the adherents of the classical school are reducible, I think, to these two questions: (1) What is the proper definition of cost of production? (2) How shall we account for the observed correspondence between cost of production and exchange value? The Austrian economists answer these questions in a new way. If it can be shown that their answers do not bear critical examination, we shall have made a long step toward showing that the principle of marginal utility has a much more restricted action in relation to value than they have supposed. The questions involved go to the very foundations of economic theory, and call for much patient reflection on the part of readers as well as writers. Let us first consider the question of the true nature and necessary elements of cost of production.

I. THE CLASSICAL VIEW OF COST.

One who undertakes to defend the classical conception of cost is under the disadvantage of not being able to give a definition of cost that can claim universal acceptance among classical economists. Dr. von Wieser seems to imagine that we all agree with Ricardo in reducing cost, in the final analysis, to labor alone. In that he is, of course, entirely mistaken. We are practically unanimous in holding that economic cost includes something more than mere labor. But what the further element may be, how to name it and

how to treat it, must be admitted to be unsettled questions among us. This being so, it must be understood that, in what I have to say as to this further element, I cannot lay claim to a consensus of classical authority behind me.

There are obviously two ways of looking at cost. We may regard productive industry from the standpoint of the employing class, and think of cost as measured by their payments. Or, secondly, we may think of the whole community as exerting itself in appropriate ways for the production of commodities, and may think of these necessary exertions as constituting the real cost of the things produced. The first of these views we may call the employer's view of cost; the other has been called the economic or scientific view. The first step toward a correct conception of cost is, in my opinion, to get clear ideas as to the difference between these two views. Some discussion of the matter is made necessary in the present case, because Dr. von Wieser fails to apprehend the classical account of economic cost, and adopts, on his own part, a view that is closely allied to, if not at bottom identical with, the employer's conception of cost.

The employer looks on cost of production from a purely personal standpoint. For him cost is a question of payments: of outlay for necessary buildings, machinery, materials and labor. By careful book-keeping he can tell with approximate accuracy how much each unit of product costs him. With this as a basis, he can readily tell how much profit can be made by selling his product at any given price. And this, I need hardly say, is his primary interest in the whole question. In his view cost is lowered quite as effectually by a fall in the wages of his laborers as by an improvement in machinery, or the discovery of more prolific sources of materials. Cost is raised, in his estimation, when for any cause his own necessary outlay is increased, even though the whole increase go merely to swell the rewards of others engaged, equally with himself, in the production of the commodity.

The mass of mankind has clearly an interest in the cost of production of commodities that finds little recognition in the employer's way of looking at the matter. The economic view of cost must recognize this interest. It can do so only by taking the broadly human point of view: by ignoring the division of men into employers and laborers, and making cost of production a question of the whole exertion or sacrifice men have to undergo in order to produce the various commodities they need. In this view we are to direct our attention solely to the process of production itself, ignoring wholly the arrangements men have made between themselves as to the ownership of the product when completed, or the individual compensations for shares borne in the total cost of it. We are to have no thought of employers as such, but only of the labor of direction and oversight; no thought of hiring and wages, but only of laborers exerting themselves in appropriate ways for the production of enjoyable commodities. From this point of view we should say that anything which affects the ease or difficulty of the whole task of producing each commodity, affects its cost of production; and that nothing does affect the cost of production, which does not affect the ease or difficulty of the whole task.

As between these two views of cost, I can hardly imagine an economist hesitating in his choice. The one is limited and artificial. It seems to regard production as, primarily, a field for making profits. Further, as the individual employer commonly manages but one stage in the whole process of producing each commodity, this view has the defect of not taking the whole process into account in considering the cost of production. The other view is as broad as production itself. It brings us face to face with the original elements of cost in the very nature of the productive process. This, it is needless to remark, is a point of no small importance for scientific purposes. If we accept the employer's view of cost, we rest on payments between man and man, which doubtless have reference to shares borne in the

natural cost of production, but are at best only business valuations of this or that fraction of the natural cost. If, on the other hand, we base our theory of cost on the difficulties of the productive process in itself, we are in no danger of finding that our assumed elements of cost are, in fact, resolvable into more simple and fundamental elements back of them.

What, then, are the ultimate elements of the natural cost of producing commodities? All agree, I think, in regarding the necessary labor of all sorts as the chief element; though, as we shall see presently, the Austrian economists ask us to count, not the labor itself, but the "value" of it, as a constituent of cost. English and American economists, so far as I am acquainted with their views, differ only as to the range or extension to be given to the term labor as an element in the cost of each commodity. Some of them seem to have in mind only the labor applied at the last stage of the process in each case. When, for example, they speak of labor as an element in the cost of production of coats, they seem to think only of the tailor's labor, and perhaps of the weaver's also. But it is difficult to see how such a limitation of the term is to be justified. Certainly, if we look at the nature of production as a whole, we shall find no reason for making any difference, in this regard, between the labor of the tailor and that of the spinner, or of the dyer, or of the wool-grower. Unless we are prepared to say that coats can be made without wool, and without woollen yarn, we are in all reason bound to include all these labors as parts of the labor of producing coats. Nor is this all. Unless we are prepared to say that wool can be spun into yarn without spinning machines, and that yarn can be woven into cloth without looms, we are equally bound in reason to include in the labor of producing coats the labor of providing requisite machinery for carrying on the various parts or stages of the whole process. What good reason can be given for stopping short at any point in the whole process,

or for excluding from our definition of cost any part of the labor that contributes, directly or indirectly, to the final enjoyable commodity, a coat? The fear that we may seem to say that labor is the sole element of cost, and may thereby concede a dangerous advantage to the disciples of Karl Marx? Surely not. Science can have no fears; must accept all the facts just as it finds them. Let us, then, when we name labor as an element in the cost of production of any commodity, admit freely the whole labor of all sorts from beginning to end.

If, then, we use the word labor in our definition of cost, understanding it to include all the labor, what further burden or sacrifice is there that men have to undergo in the production of enjoyable commodities? All reasonable men perceive that there is a further element; the difficulty is to agree as to its precise nature. The more common practice of English and American economists, in recent years, has been to regard the abstinence of the capitalists as the other element. I have elsewhere given some reasons for thinking this practice to be inadmissible.* As Dr. von Wieser seems to agree with me in rejecting abstinence as an element in cost, I need not here repeat those reasons. If we only look at the processes of production as they go forward, we can hardly fail to recognize the missing factor in cost. The whole process of producing nearly every enjoyable commodity is very far from being a single and simple exertion of labor. It is, in most cases, a series of operations, necessarily extending over a considerable stretch of time. Partly, this is due to nature's way of doing her share of the work; she takes time to mature the fruits of human labor. Not all the men in Europe could produce a grain of wheat, or a quarter of beef, or a pound of wool, by a month of assiduous labor: nature has her own way of yielding such things, and it is a way that takes time. In part, also, the delays of production are due to men's own

* *Quarterly Journal of Economics*, July, 1887; also in my "Working Principles," p. 387.

need of time for doing their share of the work ; very largely they are due to the fact that so great a proportion of the whole labor of producing things has to be applied to the preparation of the natural agents, to the erection of necessary buildings, the making of requisite machinery, etc. It is patent on the very face of things that the industrial system of a civilized country represents an enormous mass of labor already expended, which has not yet produced its full enjoyable result. It is equally clear that the maintenance of such a system requires every day the expenditure of great quantities of labor in ways which, by the nature of the case, must be long in yielding enjoyable returns.

Now, if men were quite indifferent whether they got the enjoyable products of their labor to-day or years hence, this need of time in production would not be burdensome ; the whole natural cost of production would then consist of labor alone. But human beings are very far indeed from being thus indifferent. So far as the necessities of life are concerned, of course delay is impossible : actual wants must be supplied *now*. But when actual necessities are provided for, desires for material comforts, almost as urgent as absolute wants, clamor for immediate satisfaction. This human impatience for speedy enjoyment of good things makes the necessary slowness of production a burdensome feature of it. Indeed most men seem to shrink from the necessary waiting even more than from necessary labor itself. They are ready enough to work for immediate returns, but the distant natural return for productive labor fails to attract them. They are not willing "to labor and to wait."

These two sacrifices, that of labor and that of waiting, seem therefore to stand on the same level as elements of cost of production. They are both demanded by the very nature of production and the physical laws under which it must be carried on. They are both simple and primary sacrifices, not in the least due to any merely business arrangements between men, nor can they be evaded by any human contrivance.

Further, I think it is easily demonstrable that, taken together, these two sacrifices constitute the whole cost of producing commodities. It could be shown by experiment if need be. Given men who have the requisite knowledge, the requisite idea, production of all sorts is possible for them, if only they are ready to work, and to wait for the natural product of their work until the process of production yields it. Nothing more is needed, because nature's terms demand nothing more. If this be true, are we not justified in saying that the original and ultimate elements of cost of production are labor and waiting?*

The relation of natural cost to employer's cost must be obvious to every one who bears in mind the feature of modern industry that goes under the name of "combination" of labor. In truth the whole industrial system is a scheme of combination of labor. Nearly every commodity is a product of many different kinds of labor, combined and converging toward the final enjoyable result. The employer who stands at the closing stage, and is to own the commodity when completed, must of course pay for the labor and waiting that have already been devoted toward obtaining the product. This he does in the form of buying materials and machinery. The price he pays stands to him as cost. But it is a cost of acquisition, not the natural cost of producing the things bought. Strictly, the cost to him is the labor and waiting he spent for the thing he gives in exchange. The true cost of production of the commodity he is himself engaged upon, is the sum total of the various bits of labor and waiting contributed by all the persons who take part, directly or indirectly, in the production of it. The arrangements and payments these persons make among themselves in consideration of the part each bears in the whole burden, do not affect the nature of the burden itself. That remains, through all their

* Dr. von Wieser assumes throughout his paper that I reduce cost of production to labor alone. I hope that what is said above will make clear to him that he has misunderstood me in this respect.

arrangements, the two-fold task of necessary labor, followed by necessary waiting.

These considerations help us to see the exact function of abstinence in relation to production. The abstinence of capitalists comes into play to provide savings wherewith to pay wages, in advance of the natural yield of labor, to those who are unable or unwilling to submit to the long waiting demanded by the nature of production. Since wages are no part of the true cost of production, neither is abstinence; for abstinence has no function except to supply the means of paying producers in advance of the natural rewards of their exertions.

II. THE AUSTRIAN VIEW OF COST.

The Austrian economists seem to me to have made, as yet, no serious or systematic study of cost of production. It was hardly in the nature of things that they should do so. Classical economists dwell on cost because their whole system rests on it. But with the Austrians the case is different. They have no use for the doctrine of cost. They had indeed to find room for it in their system, because it could not be wholly ignored; but it seems to hold there the position rather of a foreign substance than of an essential element in the fabric. Dr. Karl Menger, the pioneer and acknowledged leader of the school, has not yet, so far as I am aware, incorporated any doctrine of cost into his treatment of value. Dr. von Boehm-Bawerk, and those other members of the school who discuss the action of cost, assign to it a very subordinate place. They admit the tendency of value to conform to cost, but explain this tendency as merely "a special case within the great law of marginal utility." A law of costs, as an independent and controlling principle, they do not seem to admit. Marginal utility they hold to be the primary and universal law governing the value of all valuable things. Their only concern with cost is to reconcile it with this other and greater law. If, now, it can be shown that they have thus far failed in effecting this

reconciliation, we shall have good reason for doubting the validity of their claims on behalf of marginal utility. That this can be shown I have no doubt, because it seems clear that cost, as they treat it, is not true cost at all.

Their definition of cost, to begin with, involves their theory of value. The cost of every commodity consists of the "value of the means of production" used up in producing it. By means of production, according to Dr. von Wieser, we are to understand such things as "common hand-labor, coal, wood, the commonest metals;" also land of the ordinary sort. Observe that, in his view, human labor is not in itself an element of cost; it is only its value that constitutes cost. But since, according to the Austrian theory, value is simply another word for marginal utility, and since mere means of production, such as labor, coal, iron, etc., have no direct utility of their own, they have no value of their own. They can be used, however, to produce useful commodities; they have, therefore, a derived or "attributed" utility equal to that of their potential products. The value thus acquired by the means of production constitutes and measures the cost of the commodities they are used to produce. For production does not merely create value; it also destroys value.* The elementary means of production, such as iron, coal, wood and common labor, have manifold uses. When any part of the general stock of them is applied to the production of any given article, as, for example, a kitchen range, the same part cannot be again used for producing nails or horseshoes or iron palings. Thus, "each productive process *costs*, and it costs exactly as much as the value which the material and labor required would have produced if rationally applied."†

This view of cost seems to me to be radically insufficient. It seems to say that the cost to us of what we produce is the loss of what we might have produced instead of it; that the

* Von Wieser, "*Der natürliche Werth*," p. 167.

† Von Wieser, "Theory of Value," *ANNALS*, Vol. II, p. 618, March, 1892.

cost of the kitchen range consists in the lost value of the nails, horseshoes and palings we might have produced with the labor and materials that have been put into the range. That way of looking at cost seems to me to verge on the fanciful; to be, at all events, lacking in the simplicity and directness that ought to characterize a scientific definition. It has, however, other defects that are more serious. It has, in the first place, all the defects of the employer's view of cost. It asks us to forget those features of production that men necessarily feel as burdensome and costly. The irksome human exertions necessary to the production of kitchen ranges are not to be thought of as elements of cost. It is only the attributed *value* of those exertions that is to be taken into account. But the value of human labor, as the Austrians expound it, is simply the value of its potential product. Putting their two propositions together, we have the unavoidable result that the cost of commodities, as they explain it, is simply another word for the value of commodities. Cost and value, as they treat them, become indistinguishable. They set out with a value for each commodity fixed by marginal utility. The value so fixed for the commodity, or for the marginal member of each related group of commodities, fixes the value of the means requisite for producing the commodity. The value of the means constitutes, in turn, the cost of the commodity. But, in this circling and doubling, we obviously do not get beyond value—do not touch true cost at all. We deal only with the relations between wages, the values of machinery, partly wrought materials, etc., and the value of the completed product. All that the Austrian economists have urged as to these relations may be both true and important in its proper place. But it seems to me clear that no part of it can be received as reaching the subject of economic cost. Value may be a consequence and an evidence of cost of production; it can never be itself true cost to the producer.

We have only to consider the case a little to perceive the incongruity of the Austrian doctrine. The value of iron, for example, according to their view, is not only due to its fitness for making iron wares, but is fixed by the value of those wares (or of the marginal member or portion of them). Yet, when we proceed to develop this value of iron, by applying it to any of the uses which give it value, its value is at once transformed into cost. Iron has value, because it can be turned into ranges, nails, and ten thousand other things; but iron wares cost, because iron is valuable for making them. This seems a strange conception of cost. If we put it in another form, its strangeness becomes even more striking. Dr. von Wieser tells us that "cost is . . . measured by utility alone." That is to say, iron wares have utility for us; and iron, as a material for making them, has a derived or attributed utility equal to that of its potential products. But when we proceed to avail ourselves of this utility of iron, by actually converting it into any of the useful articles for the making of which it is so well adapted, its very suitability for our purpose becomes an item of cost to us. Its utility is at once advantageous and burdensome to us; burdensome and costly precisely because, and precisely so far as, it is advantageous to us.

Probably, Dr. von Wieser, seems to himself not to have maintained any such absurdity as this. In fact, he gives no sign of having considered cost in the general sense at all. His sole interest in cost is limited to the obvious necessity of establishing a *modus vivendi* of some sort between it and marginal utility; and, he seems to have too easily concluded that he had sufficiently dealt with cost when he had devised a treatment which applies, with an appearance of logical consistency, to the comparative costs of the various commodities to the employers. Cost, as he treats it, is made up of the value of those means of production that have manifold applications, such as iron, coal and common labor. The importance of manifold applicability as a quality of "cost-goods"

is readily seen. Dr. von Wieser evidently perceived the incongruity of asserting that the utility of iron for the making of nails, can be an item in the cost of production of nails. In his book on "Natural Value" (p. 168), he expressly guards himself against seeming to maintain this, by explaining that the value of any material which has but a single use, does not enter into the cost of the resulting commodity. The value of the commodity is indeed, here as in other cases, carried back by attribution to the means of producing it; but the value of the means does not, in this case, hold the relation of cost to the commodity. Here at least we can wholly agree with him. The strange thing is that his conclusion as to this case, had not led him to question the validity of his reasoning in the case of materials having manifold applications; had not raised a doubt in his mind whether utility can be in any case a true element of cost.

For how, on his system, does he wish us to conceive the cost of the whole group of related commodities, in the production of which any given material of manifold application comes into play? When he speaks of the value of iron as an item in the cost of production of nails, he asks us to think of the utility of iron for the production of axes, ranges, pots, and the many other iron wares. If the cost of production of axes be in question, we are to think of the utility of the requisite iron for the making of nails, etc. But how of the cost of axes *and* nails, *and* all the other iron products? He will not, I suppose, deny the existence of cost in this general sense for all iron wares. How would he have us express it? What are its elements? Is it not obvious that the utility of iron holds to the whole group of iron products, precisely the same relation that the utility of the single-use material holds to the single resulting commodity? Is there not, therefore, the same fundamental objection to counting the utility of iron as an item in the cost of nails, as there is to counting the utility of *Johannisberger grapes*

in the cost of Johannisberger wine? Can utility be cost in any case, if we are to regard cost as something burdensome, and not merely as a blessing under a wrong name? It seems to me clear that it cannot be, and that Dr. von Wieser's effort to reconcile the marginal utility theory of value with the observed tendency of cost to control value, has fallen a good way short of success.

There are other features of his treatment that seem equally objectionable. Why, for example, does he ask us to begin our computation of cost with the value of coal, iron, wood, etc.? Coal in its native seam has no value; neither has iron in its original beds of ore. Nature does not give us coal in the furnace-room, nor iron in the form of pigs, nor wood dried and ready for the hand of the joiner. But neither does she hold her supplies of any material at a value against us. Men can have every material freely for the mere trouble of taking it. I cannot but regard it as a grave defect in Dr. von Wieser's treatment, that he does not begin his computation of cost at the beginning of each process of production. He seems to say that the labor of mining and smelting iron ores is no part of the process of producing iron wares. He takes up the reckoning of cost of iron products, when the process of producing them is already well advanced. What sound reason is there for throwing out of account the earlier labors in each process? Are they not a true and essential part of the process, entitled in every way to as full recognition as the labors of the later stages? Dr. von Wieser may perhaps have held that he gives those earlier labors sufficient recognition as elements of cost, when he includes the value of the materials they have produced. Here, however, we meet again the difficulty already pointed out; namely that value and cost are not interchangeable terms. If it be allowable to blot out, in our computation of cost, any part of the exertions by which commodities are produced, substituting in their place the value of the materials or machinery they have prepared, then I see no good reason

for stopping short in the substitution at the point selected by Dr. von Wieser. If it be legitimate to do it at all, there can be no valid reason for not carrying it out to the end, and dropping labor and waiting out of the account altogether. Indeed, on Dr. von Wieser's method I think it would not greatly matter. If the element of cost be not the labor itself, but the value of it, or the value of the other thing or things it might have produced, then it does not seem to matter which course, or what combination of both courses, we choose to follow. Either proceeding robs cost of all independent significance; turns it into a mere reflection of value, and reduces cost in the general sense to a mere empty phrase.

This last consideration, even if there were no other objection to Dr. von Wieser's method seems to me decisive against it. On his plan it becomes impossible to estimate cost of production in the broad sense in which it is connected with human welfare and progress. The reduction of cost that has been effected by general improvements in the arts of production, finds neither expression nor recognition in his vocabulary. How, for example, does he propose to express the fact that all commodities are lower in cost to-day than they were a century ago? He cannot say that men get commodities with less labor now than they did then, and therefore cost has been reduced; for he makes the "value of labor" the constituent of cost, and the value of labor has risen as its product has increased. On reflection he must perceive, I think, that his procedure fails to recognize cost in its true form. What he has chosen to dignify with the name of cost of production is in reality, on the most favorable interpretation, only a sort of disguised form of employer's cost. At best it can give but a clue to the present comparative costs of the various commodities to the employers who carry on the final stage in each productive process. What these pay out for labor, materials and machinery, has indeed reference to costs endured by those to whom the

payments are made ; but to confound these payments with the true elements of cost which they reward, is in my judgment, only to introduce confusion into the very heart of our science.

Professor von Wieser thinks it a fatal defect in the classical treatment of cost that it makes no mention of capital, or the consumption of capital as an item of cost distinct from the requisite labor and waiting (or abstinence). He argues that, since we have the use of old capital even in procuring the materials wherewith to make new capital, we cannot eliminate the factor "capital" from the computation of cost. But I fail to see the force of his objection. Classical economists agree in regarding the cost of capital as a part of the cost of the commodities it helps to produce. Dr. von Wieser, I venture to believe, will not contend that this is an erroneous proceeding. The only question, then, is as to the proper mode of including this portion of the total cost of commodities. Dr. von Wieser would have us mention it specifically as an item of cost different from, and in addition to, the requisite labor and waiting. A little reflection will convince him, I think, that there are decisive reasons against that course. When the classical economist has named the necessary labor as an element of cost, he is bound to include all the necessary labor from the beginning to the end of the productive process. Now the requisite capital being itself produced by labor, and this labor being already included in our definition under its own proper name of necessary labor, we would be guilty of double counting if we named the capital also as an element of cost, over and above the necessary labor. That seems conclusive against Dr. von Wieser's proposition. Further, if we introduce capital as a special item of cost, there is really no natural limit to the application of the principle, short of the whole cost of things. For is not every part and stage of every productive process a use, a consumption, of capital? Is not every device of production, and exchange, every material, every half-wrought product—is not even every finished commodity while still in the course

of transportation and exchange—capital? If so, how can we possibly speak of the use of capital as an item of cost distinct from, and in addition to, the necessary labor and waiting of production? Is not capital the very product and necessary result of the labor and waiting? Is it not the mark and interim pledge of the coming enjoyable return for labor expended? Do not the Austrian economists themselves treat it so? How then, I repeat, shall we escape mere absurdity, if, in spite of all that, we set down capital as an independent item of cost, as if it somehow included something that has not been produced by human labor and waiting?

Dr. von Wieser apparently thinks the classical definition of cost requires that the capital now in use should have been produced by the men of to-day without the aid of previous capital. This is a misapprehension of the definition, since those who hold it have never so understood it. If it be granted that all capital, whether new or old, is a product of human industry, the definition carries its own justification. The capital now in use is undoubtedly, to a large extent, a product of the labors and waitings of past generations of men; but it is none the less a product of labor and waiting. No sane person contends that those who provide capital are always those who enjoy the resulting product or even the greater part of it. Each successive generation has the enjoyment of commodities whose cost was largely borne by preceding generations; and, in its turn, it expends much of its own labor in ways that yield their chief returns to a succeeding generation. But these facts, so far from being in conflict with the classical definition of cost, seem only to supply an illustration of its main principle. Dr. von Wieser's difficulty is probably due to his assuming that classical economists reduce cost to labor alone.

The fact that the existing capital is largely a legacy from past times, has, I think, no other bearing on the relation of capital to cost than that here indicated. Capital being in all cases merely the result of labor applied to production in

certain ways, it cannot be a new element of cost different from the labor and waiting that produced it. The legacy feature of the case has undoubtedly great importance in other ways; but it has nothing to do with the agency of capital in diminishing cost, nor with the nature of the cost of capital itself. Its importance lies in the field of so-called distribution. Though all men are enormously benefited by the legacy of capital, the benefits are not equal to all. Those to whom the ownership has come, besides sharing the common benefit of reduced cost of commodities, have, by virtue of their ownership of the capital, a lien on the products of the general industry. This seems to me to be the only important consequence of the history of capital. But the ownership of the industrial outfit has obviously nothing to do with its influence in making industry productive, and so it has nothing to do with cost of production. It affects the "sharing," not the production, of commodities.

For these reasons I cannot but hold that Dr. von Wieser's criticism of the classical doctrine of cost, like his defence of the Austrian substitute for that doctrine, is lacking in conclusiveness.

III. MARGINAL UTILITY *vs.* COST.

We now come to the main question raised by the Austrian economists—the question how the exchange value of commodities is fixed. The classical theory attributes the normal control of value to comparative cost; the Austrian theory attributes this function to the principle of marginal utility. The new theory does not, indeed, propose to drop the action of cost out of account entirely; but what it advocates call cost is, as we have seen, nothing but a form of utility. They, of course, see clearly that there cannot be two independent regulators of value, for the two could but rarely coincide in fixing the same value for things. As a way out of the difficulty, they have, in fact, undertaken to show that marginal utility governs the cost as well as the value of commodities. That undertaking can hardly be called successful;

and until it has been successfully carried out, the adherents of the classical theory might well rest their defence on this point alone. But it is due to Dr. von Wieser that we should examine briefly the precise function of marginal utility in the exchange of products. That it has a function has been made abundantly clear, and the Austrian economists have done a highly valuable service in calling attention to it. Their only mistake has been the natural one of claiming too much for the principle. This mistake they made almost inevitable by their mode of treating exchange of products. They treat exchange as an independent subject—as a transaction entered into for its own sake. They have chosen to make no account of the fact that economic exchange is simply a stage, the closing stage, in production by division of labor. Cutting themselves off in this way from the true explanation of the origin and motives of exchange, they have been obliged to invent for it a cause and a motive which may appear in the act of exchange itself. This they try to do by a comparison of the utilities of the things exchanged to the two exchangers. Each parts with a thing of lower utility to him than the thing he receives; the difference is his "profit" by the transaction, and constitutes his motive for making it. How it happens that men constantly find themselves in possession of things of lower utility to them than the things their neighbors have, would seem to be a question calling for treatment, as the very basis of any theory of exchange. Any discussion of it must disclose the fact that the gain of exchange is not to be found in exchange itself, but in the method of production which makes exchange necessary. The gain is in the increased productiveness that comes by division of labor. It is the gain of having more commodities for our labor, not of having commodities of higher utility to us. That the act of exchange does result in giving each producer an article of higher utility to him than his own product is undoubtedly true; but that is no real explanation of the case, because it asks us to take the

subordinate, incidental circumstance instead of the larger and more fundamental principle that governs the whole proceeding. Exchange can never be properly treated except as a part of the method of production that gives rise to it. Once forget that the nailmaker has made his stock of nails with no other thought than that of getting a general assortment of useful commodities in exchange for them, and you are on a wrong ground altogether. Once off the true ground of his action, you are in danger of inventing wholly unreal motives for him, and of adopting wholly untenable doctrines as to the way in which the terms of exchange are settled.

Precisely this error I think the Austrian economists have fallen into. They practically ignore production in their treatment of exchange. Dr. von Wieser, in his treatise on "Natural Value," expressly states that his purpose is to discuss value as it would present itself if a highly developed community existed without exchange and without price. (p. 37.) For the purposes of his treatment he assumes, provisionally of course, that the supply of each article exists without production (p. 24, note). By ignoring production as the source of supply, he easily arrives at a theory which ignores cost of production as the regulator of value. Now, I have nothing but admiration for the patient skill with which the Austrian economists have worked out the play of human feelings in connection with the acquisition of material commodities. The principle of marginal utility is undoubtedly a most important contribution to economic theory. But it seems entirely clear to me that its authors have been misled as to the precise scope of its action. They attribute to it the power of controlling and determining exchange value, to the practical supersedence of the traditional law of cost. In my opinion, its true function is not at all to fix exchange value, but to limit the demand for each commodity at the value fixed by the cost of producing it. A few considerations will serve to make this plain.

In the first place the principle of marginal utility is simply that our subjective valuation of each commodity, or rather of each additional unit of it, grows less as our supply of the commodity is increased. If a man has but a single coat, he necessarily sets a high value on it; to lose it would be to lose a great deal of comfort. Give him a second coat; this, though a highly-prized addition to his possessions, is not of as great utility to him as it would be if he had no other; the loss of it would not be so great a loss of comfort. A third coat would have still less utility for him than the second; and so on. By successive additions to his supply of coats you would finally reach a point at which a coat more or a coat less would be a matter of indifference to him. This is the point of satiety. There is thus between the famine, or maximum valuation and the satiety, or zero valuation, a descending scale of utility for each commodity—each point in the scale corresponding to some determinate supply of the article. The application of the utility-scale to the purchase of commodities is, in some respects, entirely obvious. The man who already has two coats will give so much, and only so much, for a third; if he has already three coats, he will not buy a fourth unless the price falls within his estimate of the utility to him of having a fourth coat. And so of the fifth and the sixth and all higher numbers. For the sake of definiteness, let us assume that all men agree in estimating the utility of coats as follows:

First,	. . . . .	\$100
Second,	. . . . .	19
Third,	. . . . .	13
Fourth,	. . . . .	8
Fifth,	. . . . .	2
Sixth,	. . . . .	0.5
Seventh,	. . . . .	0.0

Now, obviously there is nothing in this scale, in and of itself, to tell us anything as to the actual price of coats. It

tells only that the price cannot exceed \$100. In order to establish a particular price, we must know how many coats there are to be sold. If there are so many in the market that, in order to sell all, every man must be induced to buy three, then we can say at once that the price must be not above thirteen dollars. If every man must be induced to buy four, the price cannot exceed eight dollars. But observe the "if." If we could assume, with Dr. von Wieser, that the supply of commodities came to us without production, we should have no hesitation in accepting his theory of value. As, however, there is no way by which men can get commodities except by producing them, it is obvious that production controls the supply. And in order that coats shall be forthcoming to meet the calls of purchasers, it is necessary that some men be induced to produce them.

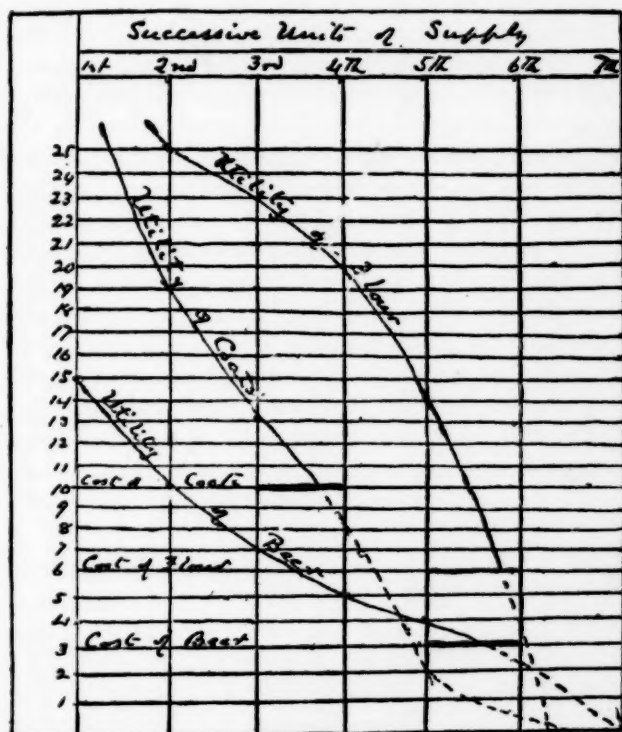
What, then, determines whether each wearer of coats shall be able to obtain only one coat a year at \$100, or two coats at nineteen dollars each, or four coats at eight dollars each. Obviously, nothing but the greater or less difficulty of prevailing on other men to produce them for him. This, again, will depend on the estimate men put upon the whole task of producing coats. In other words, it will depend on what we call cost of production.

Division of labor gives rise to most of the puzzles and misconceptions with which economic theory has to deal. It so complicates every question, that even trained economists may readily lose the true bearing of things. In this matter of marginal utility, the whole difficulty in perceiving the exact function it performs, grows out of division of labor. If every man produced each article directly for the supply of his own wants, I think the whole matter would be clear to everybody. Such a producer would constantly have to answer for himself the question—How much of this thing shall I produce? In answering it, he would have a rather complicated set of considerations to base his decision upon. He would have in mind in the first place, the limits of his

whole productive capacity and the extent and character of his needs. He would wish to apportion his labors among the various sorts of production in such a way as to yield him the largest possible satisfaction—the maximum of utility. In deciding how much of each commodity to produce, he would have of course to balance its utility against that of the other possible commodities, measure for measure. But that would not be all. He would also have to balance its cost, measure for measure, against that of the other commodities. Or, if a different way of expressing it be preferred, he would have to consider not merely the utility of each commodity, but the utility in comparison with the cost: the question being whether, for the necessary cost of it, the given commodity offers on the whole the best return. He would give up producing it and turn to something else, when the point was reached at which he should say to himself, "Things being as they are, I can do better for myself by now devoting my labor to that other article. By the same amount of trouble as would be required for producing another measure of this, I could produce so and so many measures of that other; and this, as I am situated, would be better for me." The point I wish to insist on, is the part necessarily played by cost in the forming of this decision. Without the consideration of cost, in some form, there is really no basis for a decision at all; for, were it not for the obstruction of cost, everybody would carry his supply of every commodity to the point of satiety—in which case all considerations of value and all theories of value would alike disappear.

Those who find diagrams helpful for illustrating a matter of this sort, may perhaps get assistance from the one annexed. It is intended to illustrate the relations of cost and marginal utility in the case of three commodities—two of them necessities and the third in the nature of a luxury. Since our estimate of the utility of each additional unit of any commodity is less than that of the previous units, we may represent the utility of successive units by a descending curve. Cost,

on the other hand, being a constant quantity, may be represented by a horizontal line. The point of marginal utility for the given conditions is found where the utility curve intersects the line of cost. Flour and coats being necessary articles, the utility of the first coat and the first barrel of flour cannot well be expressed. The scale of numbers is



primarily for costs: the unit of cost being a definite amount of labor and waiting: not in the sense that the composition of the unit is identical in all cases, but that, in point of burdensomeness, each is equivalent to every other. The same scale, read downward, may also answer for the units

of utility ; but it must be remembered of course, that for this purpose, they have a wholly different signification.

Suppose, now, that we have the case of a man who has seventy-five units of labor and waiting to be applied to the production of coats, flour and beer ; also let us assume that each coat has a cost of ten units, the barrel of flour six units and the keg of beer three units. Let us further suppose that the curves of our diagram represent truly his estimate of the utility of successive units of the three commodities. From these data, we are enabled to predict that he will produce for himself three coats, five barrels of flour and five kegs of beer ; for by this distribution of his productive power, he will, on our assumptions, produce a greater total utility for himself, according to his own estimate of the respective utilities, than he could by any other selection.*

Two things are to be noted in this example for their bearing on our main problem. In the first place, it is obvious that the man's estimate of the utility of the successive units has not the least effect on the terms of obtaining them : all the units of each commodity cost him alike. Secondly, and I may say consequently, his low estimate of the utility of the last barrel of flour, or of the last keg of

* This is a mere matter of arithmetic. Using the data of the diagram, and adding together the figures indicating the utility and the cost of the successive units of commodity, we have the following results. No other selection yields so large a sum of utility for the same cost. The dotted prolongation of the utility curves gives the data for testing this proposition.

	Utility.	Cost.
Coats, 1st,	?	10
2d,	19	10
3d,	13	10
Flour, 1st bbl.,	?	6
2d "	25	6
3d "	23	6
4th "	20	6
5th "	14	6
Beer, 1st keg,	15	3
2d "	10	3
3d "	7	3
4th "	5	3
5th "	4	3
Total,	155+	75

beer, has not the least effect on the terms he has to submit to in order to get it. The only things determined by his sense of utility are, first, that he desires this last unit of each commodity sufficiently to be willing to submit to the necessary cost in order to add it to his supply; and secondly, that he does not sufficiently desire a further unit of either to be willing to give the necessary cost for it. That is to say, the effect, the only effect, of marginal utility, is to fix the proportional quantity of each commodity to be produced.

Now, carrying over these elementary ideas into our existing industrial system, we may get some help from them in discerning the precise office of marginal utility in connection with exchange of products. It will be admitted, I suppose, that division of labor has no necessary effect on the individual producer's estimate of the utility of commodities. It increases enormously the productiveness of labor: gives each man a vastly greater sum of utility in return for a given outlay of labor and waiting. But I see no reason to suppose that each man's choice of commodities is at all different, under division of labor, from what it would be if he were able to produce all things directly for himself, in the same quantities as he can now procure them by exchange with other producers. The new element in the case affects only the amount and the form of the cost to him of the commodities he seeks to obtain. Cost is indefinitely lessened for him. Secondly, the cost on which his sense of marginal utility is to play, is no longer the very labor and waiting that produce the commodities he uses; for they are produced by others. It is rather the labor and waiting he must bestow in producing the quantity of his own commodity he gives in exchange for them. Therefore, the cost of producing his own product being given, the cost to him of the things he buys depends on the terms of the exchange; in other words, it is a question of exchange value. The cost, then, which must figure in our diagram, is no longer the direct and proper cost of producing flour and coats and beer,

but the cost of acquisition of these commodities to the purchaser.* This being merely another word for the exchange value of these commodities, viewed from the purchaser's standpoint, it follows that their exchange value now takes the place of direct cost in determining the position of the refusal-point in the scale of marginal utility, the point, that is to say, at which the buyer says to himself, "I can do better, as values stand, by buying other things instead of buying any more of this one."

This is a result of the highest importance for our main question. It goes to indicate a wholly different relation between marginal utility and value from that which Dr. von Wieser undertakes to establish. So far from being able to set the exchange value of things by its own independent action, marginal utility in any given case, must rely on the exchange value for its own determination of anything. Cost in some form is necessary as a basis for the sense of utility to operate on, in order to evolve a refusal-point in the demand for each commodity. Otherwise, as already remarked, everybody would push his acquisition of every commodity to the limit of satiety. The Austrian economists seem to me to ignore too much the fact that value in exchange means, for the purchaser, cost as well as utility. They are so preoccupied with subjective value, or utility, that they have too little thought of this other side of the case. In exchange, and from the standpoint of the buyer, value is synonymous with cost; it holds to the buyer the same relation that cost of production does to the producer. This is, at bottom, the reason why exchange value and cost of production are so closely allied.

The normal operation of the principle of marginal utility in exchange would seem to be that each producer should offer his own product, on the basis of equal cost for equal cost, for such quantities of the various other commodities as he would

* On the assumption, of course, that we are not dealing with the case of a man who produces one of these articles.

have wished to produce directly for himself, if that method of production were open to him. He knows that his estimate of the utility of each has no effect on the cost of obtaining it. But, knowing the natural cost, his sense of utility prompts him to have a certain quantity at that cost, through exchange.

Suppose now, that our diagram represents the case of a brickmaker, who wishes to obtain flour, coats and beer. The question we have to answer is this: Why is it ordinarily true that the man can obtain a keg of beer in exchange for the quantity of bricks representing three units of cost, the barrel of flour for the quantity representing six units, and the coats for the quantity representing ten units? The classical theory answers that it is because the natural effort of men to get the best returns they can for their labor and waiting, tends to keep the returns for equivalent quantities of labor and waiting about equal. The Austrian theory avers that it is because the marginal utility of each commodity makes men willing to take, at these values, the whole supply of each commodity offering for sale. If the value were set a little higher some part of the supply would be unsold; if lower, some part of the demand would be unsatisfied.

But this latter answer obviously leaves altogether out of sight the vital question how comes it to pass that the supply of each commodity is so adjusted in amount that the whole product is ordinarily taken at the value that corresponds to cost? It is clearly the adjustment of the supply that makes it possible for the exchange to proceed on that basis. If we take the proper adjustment of supply for granted, we take the whole matter for granted; for if the proportional supply were different, a different point in the scale of marginal utility would come into play for each commodity, and exchange values would cease to correspond with cost. Further, these new values, so far from tending to be corrected by the action of marginal utility, would simply be in accordance with that principle, and, so far as it is concerned, might

remain permanently the exchanging ratios of the commodities. The corrective which restores the terms of exchange to the basis of cost, must surely proceed from the side of cost. The readjustment of values has to be preceded by a readjustment of supply; and, at the sources of supply not marginal utility, but cost, makes itself felt—impelling men, through self-interest, to a course of action that tends to bring values into such relations with each other as to equalize the rewards of equal quantities of labor and waiting.

Now, if the contention of the Austrian economists were merely that in this corrective process, marginal utility plays a part; if their doctrine were simply that men naturally strive to obtain the greatest possible sum of utility in return for their labor and waiting, and that, in determining the direction in which the maximum of utility is to be found, the principle of marginal utility is decisive, there could be no hesitation in agreeing with them. That would not be to claim for marginal utility the power of regulating exchange values. It would only be an assertion of the principle that, given the terms on which commodities may be obtained, marginal utility indicates the relative proportions of the various commodities that would bring the highest sum of utility in return for a given quantity of labor and waiting. The new doctrine seems to go far beyond this, and to assert that marginal utility not only settles how much men want of the several commodities on any given terms, but also has the power of fixing the terms themselves, on which each commodity may ordinarily be obtained. It seems to aver that the fundamental reason why the normal exchange value of each commodity is what it is, must be found, not in any comparison of costs, but in the fact that there is ordinarily a last buyer who is just willing to give the normal price for the last unit of the normal supply. So far as it does involve this doctrine, it seems to me to be at variance with sound reason.

The classical theory holds that utility is an essential condition of value, but that neither the utility of the first nor

of the last unit of supply fixes the exchange value. The last unit, like the first, must indeed have a utility great enough to counterbalance the *dis-utility* of the necessary cost; otherwise it would not be produced. The fact that, in the case of the last unit, utility comes to the level of cost, does not affect the terms on which the producer can obtain this or any other unit from nature's sources of supply. Neither, therefore, can it affect the terms on which one man may induce another man to produce this or any other unit for him. The sole consequence of the coincidence of utility with cost, in the case of the last unit, is to *make* it the last. Recurring to our diagram, the position of the classical economists is made plain by observing that so long as the costs of the three articles remain as given, no change in the curves of utility will have any permanent effect on the exchange values. Even if the utility curves were interchanged, the only lasting effect would be to alter the proportional production of the three commodities: one coat would still be equal in value to $1\frac{2}{3}$ bbls. of flour, and $3\frac{1}{3}$ kegs of beer. But, each article keeping its own curve of utility, let the lines of cost be interchanged—coats taking the cost of flour, flour that of beer, and beer that of coats—and we cannot doubt that exchange value will be interchanged also. Coats will fall to the value flour had before, flour to the value beer had before, and beer will rise to the value coats had before. These things being so, how shall we avoid the conclusion that cost, not marginal utility, regulates the exchange value of commodities?

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THE SUBJECTIVE AND THE OBJECTIVE VIEW OF DISTRIBUTION.

It is my object in this paper to show the wide divergence which the theory of Distribution presents according as we regard it to deal with objective or with subjective "costs" and "utilities," and to indicate the nature of the connection which exists between the objective and the subjective dividend or surplus.

By "objective" cost here is meant the amount of productive energy which is necessary for the making of a piece of wealth, measured by foot-tons, hours of labor, or some other objective social standard and involving no consideration of the different amounts of painful effort required for the given outputs of energy according as this man or that man is required to do the work. By objective utility is meant the total advantage attaching to the possession and use of a commodity regarded as a quality inherent* in this commodity and considered from the social as distinct from the individual consumer's standpoint. The life-sustaining and pleasurable properties of a coat, a loaf, a piano, estimated as a salable object without reference to the needs of the particular person into whose hands it passes, constitute their objective utility. Market value is objective utility expressed in terms of money. With the quantity of pain involved in obtaining a given quantity of objective cost or productive energy, and the quantity of pleasure derived from consuming a given quantity of objective utilities, the objective setting of the problem of distribution has nothing to do.

The objective setting will take the following shape. A number of units of objective cost (productive force) consisting of :

*Since the word "inherent" may mislead as implying an absoluteness or permanency which is not in accord with fact, I may be taken to follow Jevons in regarding it as "a circumstance of things arising out of their relation to man's requirements."

- x* Units of human physical effort of various kinds (measured by foot-lines or by other physical standard),
- y* Units of mental effort of invention, management, etc.,
- z* Units of productive force in "saving,"
- v* Units of natural forces in land, etc., and of social productive effort not referable to individual motives, comprising an aggregate productive force or objective cost, *v x y z*, produce an aggregate of units of objective utility, *V X Y Z*.

The objective problem of distribution lies in the question, "What laws regulate the apportionment of *V X Y Z* among the exerters of *x y z* and the owners of *v*?"

We may for the present postpone consideration of the claims included under *v* and confine our attention to *x y z*. As a first charge upon the dividend *V X Z Y* come a number of minimum wages, earnings, interests. That is to say in any community at any given time some definite proportion of the utilities comprised in *V X Y Z* must be attached to the various persons who exert the forces *x y z* in order to induce a continuance of these necessary efforts. The proportion of the dividend which goes in these charges and the determination of each charge are governed directly by considerations of subjective cost—that is by the amount of painful effort which must be suffered in order to secure the requisite quantity of units of each kind of objective cost. In order at any time in any society to induce individuals to undergo the necessary amounts of painful efforts, a certain proportion of the aggregate of objective utilities must be allotted to them. Although at different times and in different social conditions different quantities of objective utilities will be required to evoke the same amounts of individual productive effort, in relation to the consideration of a particular dividend these may be regarded as fixed charges.

It is, however, necessary to clearly signify what services form the basis of claims to these charges in order to realize

the amount and character of the objective dividend which remains for distribution by other laws.

By a minimum wage I mean the lowest real wage necessary to evoke the effort of the marginal laborer in each class of labor. This is not necessarily, as Professor Marshall seems to think, the exact equivalent of a marginal laborer's product. It may be less, as will be the case where there exists any unemployed competitors for any grades of work above the lowest: it cannot be more, assuming an economical application of capital.

Regarding laborers as divided into a number of non-competing groups, we have a number of these minima for different classes of work.

Where payment is by time wage pure and simple, the superior ability of a laborer within his class is not represented in wages. But where piece wages in any form prevail a number of individual rents of ability emerge from each specific wage level.

The same gradation applies to various kinds and degrees of mental productive efforts. We have minimum earnings of management in several classes of brain labor and also individual rents measuring different degrees of ability within the class.

If there existed in a community absolute equality of opportunity in the selection of kinds of work and the acquisition of kinds of skill, that is to say, if there were absolute fluidity of labor, all specific rents would disappear, individual rents alone remaining. The former are determined by the degree of "monopoly" or absence of free competition attaching to the several classes of work. Supply of labor thus limited commands a higher price. If we compare an hour's labor of a physician with that of a porter we find the former is more highly paid because (even assuming free competition among existing physicians) the supply of physicians offering their services at the wage of the most efficient porter would be greatly below the demand at that price.

That is to say under existing conditions supply and demand for physicians' work would equate at a much higher mark than for porters' work. It is this monopoly power in its various degrees that gives rise to a number of specific rents of labor or "class wages." They are correctly to be regarded as determined not by the higher estimate set by society upon a particular kind of work (for a baker's is absolutely more necessary than a lawyer's) but by causes affecting the supply of labor. An effective system of technical education, together with a removal of other barriers which ignorance, poverty, social prejudice, etc., impose on free entrance into the several trades and professions would, by practically securing fluidity of labor abolish specific rents of labor. While individual differences of wage are necessary charges on the objective dividend, specific rents of labor are not.

The next charge upon the objective dividend is a number of minimum interests of capital in various classes of investment. If capital were absolutely fluid and competition in investments free, there would be only one rate of interest, namely, that necessary to evolve the marginal act of saving, the last "saving" required to contribute to the fund of capital socially necessary to assist in producing what was required to keep pace with current consumption.

But capital may be graded similarly with labor in regard to the remunerativeness of its several kinds of employment. Eliminating all elements of risk, skill of management, etc., it would be evident that State or municipal privilege or monopoly, trade secrets, monopolies arising from the possession of land, class opportunity, and large scale of production, enabling the narrowing of competition in various shapes and degrees, establishes class differences of investment, which resemble the specific grades of labor. Hence as in labor so in capital, there are specific and individual levels of remuneration.

The y units of productive force in saving are reckoned in terms of physical and mental effort of the "savers."

The marginal act of saving is related to the minimum interest as the marginal laborer's effort is related to the minimum class wage with this single difference that, whereas, the marginal laborer's wage, though not exceeding his product, may be more than sufficient to evoke his effort, supposing no unemployed laborers in his class, the marginal interest will not be more than enough to evoke the marginal effort of saving, unless we suppose the extreme case of a society with a social and economic cleavage so distinct as to confine the possibility of saving to a few, while the many are kept closely down to a bare subsistence wage.

The effort of saving, I am disposed to urge, is productive of wealth just as is any other effort, and is not to be regarded as either a negative force of production, or as a condition of the effective application of labor. In order to recognize this truth we must bear in mind that it is not the preliminary act of producing something not destined for immediate consumption that constitutes the productive effort of saving, but the continuous restraint of the desire of personal enjoyment of one's property. This effort, I think, may be rightly regarded as the efficient cause of the fructification of future goods into present goods which some economists of the Austrian school appear to think inconsistent with a "productivity" theory of interest. This attribution of antagonism between the "productivity" and the "time" theory of interest is, I believe, based on the same misapprehension which has always denounced the "productivity" theory on the ground of the "negative" character of the effort of abstinence. There is no basis for this distinction of positive and negative effort. The force exerted in the shape of continuous self-restraint of an owner of capital is the force which enables the future goods to pass into present goods, it is an effort as truly productive as the effort which lifts so many foot-tons.

Hence the minimum interest will be a fixed charge upon the objective dividend, because it is required to evoke the

subjective "cost" or painful exertion which furnishes one kind of productive force or objective cost.

Since it is essential to the acceptance of this analysis that abstinence and other forms of serviceable "sacrifice" shall be included as subjective "costs" forming the basis of claims upon the objective dividend, I must here turn aside to deal with Professor Patten's objection to such inclusions. He objects to rank the effort of abstinence, involved in saving, under subjective "cost," on the ground that the thrifty man "has a surplus of pleasure in supplying future wants instead of a surplus of pain,"* or, to adopt Herbert Spencer's term, the man's mind is so powerfully "re-representative" that he reaps a net satisfaction from his act of abstinence. But surely if this is a reason for excluding abstinence from subjective "cost" there is no such thing as "cost" at all, for the same argument will exclude every form of exertion. Every voluntary exertion is attended by a satisfaction, or, subjective utility, the consideration of which, as a present motive, must outweigh the present pain of the exertion, for otherwise no action would be done. Every free, conscious action, is motivated by a desire to obtain the net balance of satisfaction which the imagination presents as the resultant from the conflict of pleasures and pains which attend the performance of the action. If instead of applying the term "costs" to the pains as they occur and "utilities" to the pleasures as they issue, we consider only the resultant, then no use remains for the term "costs" at all, save in the case of a miscalculated action, for the resultant of a reasonably ordered action will always appear in terms of pleasure or subjective utility. This confusion of Professor Patten's argument appears more manifest in his illustration of the operation of hunger. "Hunger adds to the pleasure of the meal more than it takes away from it. . . . Can we at the same time say 'Hunger is the best sauce' and also call it a pain? The sensation may continue disagreeable but we enjoy the feeling it creates. In

* "Cost and Utility," *ANNALS*, Vol. iii., p. 414, January, 1893.

computing the surplus of a meal we should therefore reckon the anticipated feelings which hunger produces and the resulting advantages, as a net gain rather than an uncompensated loss."* Here the actual pain of hunger is confused with the pleasure attending the imagination of its relief. The pain is, no doubt, a necessary condition of the attainment of the pleasure, and in certain cases the pleasure may even outweigh the pain, but the feeling of hunger is a pain for all that, and must rank as a subjective "cost." The labor of preparing the meal to a hungry man may be a process attended by a large surplus of pleasure in the way of anticipation, but since every labor is undertaken under the pressure of a similar motive, the reckoning of subjective "cost" disappears altogether if we look only to the net resultant. So long as we maintain the antithetical terms "cost," and "utility," we must count under the former all forms of self-assertion or self-restraint which, of themselves and in their direct effects involve pain. The difficulty connected with the inclusion of "saving" under painful effort is largely due to the selection of the term "abstinence," which, as a negative expression, furnishes no contents of painful feeling. The real sacrifice of "saving," once clearly conceived from the standpoint of the marginal saver as a continuous painful self-restraint, obliges us to admit it as a pain commensurable with other painful efforts of production.

I would deal in the same way with other "sacrifices." Where any change in methods of production requires the abandonment of any advantage previously enjoyed, such "sacrifice" must reckon as a "cost." In going from the country to the city the workman gives up pure air for better amusements, the emigrant must change his diet, and whoever acquires regular habits of industry gives up a large part of the free goods he might enjoy—hunting, fishing, etc.† Professor Patten refuses to count any of these sacrifices as

* *Ibid.*, p. 415.

† *Ibid.*, p. 412.

"costs," because the change is supposed to be attended by a net surplus of gain. I should insist that the abandonment of the good air and other advantages once enjoyed should be reckoned under "costs." It might, however, be fairly urged that a distinction should be made between the sacrifice of good air, which is assuredly a "pain," and the change from one form of diet suited to country life to another form suited to city life. Having already reckoned the loss of good air and other physical disadvantages as pains and costs it may be plausibly argued that the change of diet is not a cost, *i. e.*, there is no "sacrifice" in abandoning an old diet, the use of which has now largely passed away. As to the other class of "sacrifices" involved in any acceptance of alternative courses of action, they may fairly be excluded from "costs." "If a laborer can obtain a surplus by making shoes or hats he must sacrifice one of these surpluses to obtain the other."* Such sacrifice I should not count a cost, for a choice of alternatives does not involve any new pain or the loss of any old pleasure. The loss of a settled home resulting from "the extensive movement of workmen from one country to another, and from country to town," must, however, be distinguished from the sacrifices just mentioned. It involves in itself a loss of pleasure which must be reckoned a subjective cost.

The same line of argument must apply to that "sacrifice" which Professor Patten severs most distinctly from other "costs," the damage inflicted upon consumption by an extension of the working day. When the cost of such an extension is being reckoned, to the pain of the increased physical or mental exertion must be added the pain represented by damaged consumption. Both these pains will be "pooled" as a single motive in the mind of the worker who is considering whether or not he shall extend his working day: the expense in money of inducing him to extend his working day must cover both kinds of pain. Both pains must therefore be regarded as the

**Ibid*, p. 412.

subjective basis of objective costs. For certain purposes it is convenient to distinguish this "sacrifice" impressed upon consumption from other "costs" more directly linked with the energy given out in production. For example, in considering the importance of the eight-hour-day movement it is useful to give separate attention to the advantage which a shorter working day will confer by reason of its effect upon consumption. But since, as Professor Patten admits, this sacrifice is "measured in terms of cost" it will be surely most convenient to include it always under the generic title "cost," reserving the right to treat it as a "species" distinguishable from the other and more direct efforts of production when it may seem good. In the main scheme of production and distribution I hold it necessary to include this sacrifice under costs. Where Professor Patten distinguishes the two by urging that "costs . . . form a barrier below which the return of the producer cannot fall, thus fixing the limit to the changes in objective values through which the distribution of wealth is effected. Sacrifices, however, depend not on an act of production but on having certain goods to enjoy which must be given up to extend production,"* I should insist upon including sacrifice under the "costs" or "pains" which fix the minimum return in objective values. Moreover, since every act of production is an act occupying time and absorbing a portion of vital energy, I should not assent to the definite divorcement of "sacrifice" from "acts of production." Every act of production invokes a sacrifice of consuming time and consuming energy, and every change in methods of production will affect this time and this energy. In considering the causes of the increase or decrease of this particular species of "cost" it will be useful to look more closely and directly at "the distribution of the surplus," but since the changes in distribution of the surplus are closely related to changes in methods of production, Professor Patten does not seem justified in regarding this "sacrifice" as the

* "Cost and Expense" *ANNALS*, Vol. iii, p. 709, May 1893.

basis of a separate "fund" distributable under a different law from other subjective values.

These "sacrifices," which are rightly counted as "costs," must be regarded as commensurable with other efforts of painful exertion in production. In a given man, so much effort of painful self-restraint in "saving," so much deprivation of earlier forms of pleasurable consumption, so much diminution in the forms of pleasureable consumption which are retained, will find their equivalents in so many units of physical or mental exertion. All are forms of subjective "cost," and so far as they are severally needed for the output of "objective cost" or productive energy they have fixed claims on the objective dividend.

The objective view of distribution regards the objective dividend as divisible into two parts. One is composed of the minimum wages and interests necessary to evoke the different kinds and amounts of individual pain which furnishes the productive energy of the community.* The other section is comprised of economic rents including (a) a number of specific and individual rents of land. Specific rents being the minimum rent for wheat-land, market-gardens, top-lands, etc., whose produce competes in the same market, individual rents measuring the superiority of an individual piece of wheat-land, top-land, etc., over the land which pays the minimum rent in each several employment; (b) specific and individual rents of capital, representing the special advantages enjoyed by particular classes of investment and by individual business within each class, enabling the owners of capital to draw interest above the minimum economically necessary to evoke saving; (c) specific rents of labor or "class" wages, as distinguished from wages which mark the superior ability of an individual worker over

* These necessary wages and interests comprise the "expenses" of production. "Expenses," as commonly used by English economists, include various elements of monopoly rent. Professor Patten is pushed by his exclusion of "sacrifices" from "costs" to associate expenses with "reward for labors" and not with "cost." But if the use of "cost" above advocated is accepted, "expense" will most reasonably be used as the money expression of objective costs.

the worst worker employed in his class of work. These economic rents are radically distinct in nature from the minimum wages and interests in that they furnish no incentive to individual exertion. This will be readily admitted of the economic rent of land and that interest above the margin which we term "rents of capital." No attempt to tax these rents would prevent the owners of these requisites of production from using them as before.* Even as regards specific rents of labor it is equally true in the long run. The long continuance of a high-class wage establishes a fixed standard of comfort higher than that of common labor, and any attempt to reduce this is stoutly resisted. But the resistance is only for a time—a persistent, economic force can bear down a class standard of comfort and can extract from the members of the class the same effort for a less reward. It is true that there are economic limits to this leveling process. A higher standard of comfort may be necessary for a skilled kind of work. Too much, however, is made of this point by economists like Professor Marshall, who thinks that a man doing good intellectual work requires a family income of some £500 or £600 per annum to maintain his efficiency. Much of this expenditure, as indeed Professor Marshall admits, is occasioned by the demands of custom. It is probable enough that the standard of comfort habitual in the lowest paid classes of labor is below the true standard of efficiency, but it is not true that a scholar or a professional man living his life reasonably, and not requiring a heavy holiday fund to cure temporary excesses of labor, needs a much higher income.

If we were to take the national objective dividend and trace its apportionment, we should find that it went partly as rewards or stimuli of effort, partly as rents to those engaged in giving out individual effort and to owners of the forces of nature. If we took the price of a single consumption good, we could similarly resolve it into a number of payments made for

* Here I assume the taxation to be the common act of a whole industrial community. The attempt to tax certain rents of capital in England might lead to the transfer of this capital abroad.

expenses and rents at the several points in production. If we choose to regard the community's production as a single business, we can say that, after the necessary current expenses are defrayed, the rest is profit. This profit, consisting of economic rents, forms the "objective surplus," the law of whose apportionment has caused no little trouble to political economy in the past.

Now, however, that part of the payments received as wages and interest, as well as the whole economic rent of land, is acknowledged to belong to this "surplus," the law of the distribution of this objective surplus is more clearly and widely recognized. The surplus is divided by the law of "Monopoly;" the amount which falls to each owner of a requisite of production is governed by the prices which limit the supplies of the several requisites. Roughly speaking, where one of the requisites is short in supply relatively to the others, the owners of that requisite take the whole surplus. This is commonly admitted. But as there nowhere exists absolute transferability of capital, labor or land from one employment to another, capital will be relatively short in some industries or in some processes, land and labor in others. So the actual surplus will be divided at different points of the industrial machine, as rents of land, labor or capital. Without attempting to discuss the law of monopoly in its detailed bearing upon the distribution of this surplus, I may call attention to the following main forces which affect the position of the three requisites as claimants of the surplus.

a. Every increase or decrease of demand for commodities affects not only the quantity but the proportion of demand for the several requisites, and may therefore transfer the position of limiting requisite from one to another.

b. Similarly, from the point of view of supply or production, new inventions and improved skill, accessibility of new supplies will

(*a*) directly affect the relation between the quantity of supply of the different requisites ;

(*b*) enable one requisite to supersede another.

a will also affect *b* in several important ways. For example, an increase in demand is often the force enabling forms of capital, in the shape of machinery, to take the place of labor, so as to bring about a condition in which capital may become the limiting requisite, instead of labor, as heretofore.*

The surplus thus subject to apportionment is *one* surplus: the distribution of the whole of it falls under the operation of the same set of forces; it falls to land-owners, to capitalists, to laborers in proportion as the requisite of production owned by each is in short supply or in excess. This objective analysis gives us no information regarding human welfare. A given quantity of objective costs may obviously be related to any number of different quantities of pain according as they are differently distributed among producers, while a given quantity of objective utilities may be similarly related to any number of different quantities of pleasure according as they fall to different consumers in different proportions. Objective costs and utilities must be reduced to terms of subjectivity and the relation between the law of the distribution of the objective surplus and of the subjective surplus clearly formulated before we can have a science of political economy bearing any assignable reference to human happiness. Until this is done we have ideas of wealth and work which have no human significance; we have a study as far removed from any practical interest as geometry of the fourth dimension. Such a political economy can have no art attached to it. The purely objective treatment of political economists has been, in fact, responsible for nearly all the clumsy errors which its exponents have made when invited to display their art in advice or prophecy. Until the science is thus subjectivised it can be brought into no true relations either with ethics or politics and is not properly a branch of sociology at

* For a further account of the intricate interaction of these forces, see "The Law of the Three Rents," *Quarterly Journal of Economics*, 1891.

all, but what Ruskin called it, a branch of "mental gymnastics."

In order to get at the conception of the subjective dividend and the subjective surplus we will begin by a comparison of the working day viewed objectively and the same working day viewed subjectively. Taking the simplest case where each unit of objective "cost" is productive of the same amount of objective utility we shall get the following setting :

Hour.		Cost.		Utility.
1st	. . .	6	. . . yields	9
2d	. . .	8	. . . "	12
3d	. . .	6	. . . "	9
4th	. . .	4	. . . "	6

Since there is here no reference to the personal balance of pleasure or pain in the worker, but only to objective expressions of pleasure and pain socially measured, there can be no necessity for the fourth or last hour of labor of the individual worker to present an equal balance of cost and utility.

Now if this objective setting could be translated item by item into subjective terms, it might work out as follows :

Hour.		Pain.		Satisfaction.
1st	. . .	0	. . . yields	10
2d	. . .	1	. . . "	8
3d	. . .	3	. . . "	6
4th	. . .	4	. . . "	4

This indeed is the common presentation of the subject as a balance of pleasure and pain in the ordinary economic textbooks. In the case of a man working under such conditions his work, it is alleged, will be terminated at the fourth hour because there is a balance of pain and satisfaction derived from the activity of that hour. This conclusion is obviously based upon the supposition that we can treat each hour separately in reference to the balance of pleasure and pain.

Now Professor Patten has clearly shown that in an attempt to compute the working day hour by hour, the last hour will not present an exact balance of pain and satisfaction, but will yield a surplus of satisfaction: for otherwise the time of production will so encroach upon the time of consumption that the full subjective utility will not be got out of the objective utilities created in the earlier hours. If production were carried to the point where the final increment of effort taken alone were just repaid by the final increment of utility, the earlier utilities would have been found to have shrunk, and the consideration of this shrinkage will check production before this point. In a dynamic society, according to Professor Patten's treatment, the fourth or last working hour will not be four units of pain yielding four units of satisfaction, but rather four units of pain yielding five units of satisfaction. Now upon this consideration I understand Professor Patten to base his discovery of a surplus distinct and separate from the rest of surplus revenue and subject to a special law of distribution. "If there is a surplus in the last increment of a normal day's labor, the theory of distribution will be different from what it will be if there is no such surplus. In the latter case the whole distribution depends upon the cost of the marginal increment of production. The law of differential cost or rent will then determine the distribution of the surplus. But if there is a surplus at the margin of production, a part of the surplus is distributed, not by a law of cost, but by the law of monopoly. The most slowly increasing factors of production become monopolies and secure the greater part of the surplus. Producers who have the power of raising the objective value of their commodities do so at the expense of other producers and not of consumers."*

Now, if my statement of the question of distribution is correct, rents can in no way be correlated to this surplus arising from the last increment of a day's labor, assuming

* "Cost and Utility," *ANNALS*, Vol. III, p. 427, January, 1893.

this later surplus to exist. For while rents form an objective surplus, the balance of objective utilities, after abstracting objective costs, a surplus measureable in money, this other alleged surplus is subjective and obtained by a comparison of pleasures and pains. In the objective setting I found a single surplus to exist after all costs were defrayed, distributable, however, by a law of monopoly, which I found to be the true and only "law of rent," and which operates in exactly the way of the law of monopoly to which Professor Patten refers the distribution of this "subjective" surplus. If then this surplus, arising from the last increment of a day's labor, exists at all, it belongs to the "subjective" setting of distribution and cannot be grouped as a species of the same genus with differential gains, which, in so far as they are caused by differences in nature, are objective quantities.*

It is, however, the existence of this "surplus value" assigned to the last increment of a day's labor that I wish to call into question. It seems to me to result from an unjustified retention in the subjective setting of distribution of that method of separate consideration of each hour which was possible in the objective setting.

In the objective setting we found that to each separate hour we could absolutely assign so many units of cost and so many units of utility. But it becomes quite impossible to transfer this objective table into a subjective table of the same kind, because, as Professor Patten himself shows, we cannot treat each hour's activity and rents as a separate thing. We are, in fact, unable to make the first statement contained in the subjective table suggested on p. 55.

During the first hour of pain yields no satisfaction, because the number of units of satisfaction due to the painless effort of this first hour will, retaining the hour-by-hour treatment, be different according to the different number of working hours in the day. It is clear that at the close of the

* As in Prof. Patten's "Theory of Dynamic Economics," p. 95.

first hour we are not in a position to state what the yield of satisfaction is. If we speak of it as 10, this 10 refers not to the subjective satisfaction, only calculable by reference to later events, but to some objective utility which is to yield the subjective satisfaction, *i. e.* we are obtaining our surplus of subjective gain by abstracting a subjective amount from an objective amount, which is illegitimate.

The true setting of a working day in subjective terminology may be conceived to be as follows:

Hour	Pain (Subjective Cost.)	Satisfaction (Subjective Utility.)
1st	-1	yields 10 in a 1-hour working day.
		" 9 " 2-hour "
		" 8 " 3-hour "
		" 7 " 4-hour "
2d	2	" 9 " 1-hour "
		" 8 " 2-hour "
		" 7 " 3-hour "
		" 6 " 4-hour "
3d	4	" 8 " 1-hour "
		" 7 " 2-hour "
		" 6 " 3-hour "
		" 4 " 4-hour "
4th	7	" 7 " 1-hour "
		" 5 " 2-hour "
		" 4 " 3-hour "
		" 3 " 4-hour "

Now, here the subjective surplus for a 1-hour working day would be 11 units of satisfaction (the -1 placed as subjective cost signifying a net pleasure in the first hour of effort and being therefore added to the 10 units directly referable to the consumption of what is produced in the first hour). A 2-hour working day will yield a subjective surplus of 16 units (*i. e.* 17+1-2). A 3-hour working day will give a surplus of 16 (*i. e.* 21+1-6). A 4-hour working day will give a surplus of 9 (20+1-13). In such a case a 2-hour or a 3-hour

day will be indifferently chosen as presenting the largest subjective surplus. Now though it may be at once admitted that here, or in any other scheme of a working day, the last hour of labor will show a surplus of Satisfaction over Pain if the effect of a longer working day in diminishing the subjective utility of earlier products be left out of consideration, no scientific object can be gained by this method of measuring separably things which are organically related to one another. The net satisfaction of a 2-hour and a 3-hour day in the above scheme are equal, but in the 2-hour day a larger proportion of the satisfaction is derived from a fuller consumption of the objective utilities than in the 3-hour day, where a larger number of objective utilities are less effectively consumed. In taking a purely subjective view of the question we must confine ourselves purely to the reckoning of pains and satisfactions. There may be some question whether the injury done to consumption by an increased working day should be reckoned as diminished satisfaction or as increased pain, but there is no excuse for making of it the basis of a special and separate fund, a "surplus value," distributable by a separate law from that according to which the rest of the surplus of satisfaction is distributed. To do this is to go back to the consideration of objective utilities and to consider them as growing and shrinking according as the time to consume them is larger or shorter. In considering the effect of shortening or lengthening the working day of any class of workers the effect upon their real wages by an extension or a diminution of the time of consumption must be clearly kept in view, but we are not justified in making this consideration the basis of a separate fund. As a factor affecting the net utility of a working day it may be ranked with other factors, such as those which affect the intensity of labor or improve the character of labor by increased variety and interest of exertion, or give more variety or individuality to standards of consumption. The effect of a shorter or a larger working day upon the net

plus of satisfaction is only one of a number of considerations which, by their mutual action and reaction, determine the net surplus of satisfaction. Each force is subject to special laws determining its action, but when it has expressed itself by influencing the surplus of satisfaction it is merged in this aggregate.

We are thus unable to find, with Professor Patten, "a surplus in the last increment of a normal day's labor." The example of a working day given above will make it evident that from a detached view of the units of subjective cost and utility in reference to parts of the working day we can obtain no useful results, for we are applying an objective separatist method to things that are subjective and inseparable. When the utility produced in the second hour is reckoned subjectively it is unreasonable to exclude from the estimate of its cost the depreciation of the first subjective utility occasioned by the very conditions to which the second utility owes its existence. The subjective consideration of costs and utilities of a working day as a whole will thus yield a single "surplus," which will rise and fall in amount according as the increasing length affects the total subjective utility involved in the consumption of the larger or smaller objective utility. This view of the single subjective surplus of the individual may be directly transferred to the larger scale of a society, so that a given disposition of working individuals in a society will yield a single aggregate subjective surplus, which will be the representative, in subjective terms, of that aggregate of rents which form the single objective surplus.

The fundamental importance of clearly tracing the relations between the objective and the subjective social surplus is what most economists in the past have failed to realize. The objective economic treatment concerned itself with quantities of productive forces embodied in the forms of objective utilities, divided simply in accordance with the respective quantities of the different kinds of productive

forces engaged. It was not properly concerned with the questions: Who exerted these forces? How were these utilities consumed? The answers to these questions make no difference in estimating the quantity of objective wealth. But in the subjective measurement of wealth it makes all the difference, whose pain gave the productive force, and into whose pleasures the objective goods were resolved. For upon this detailed personal knowledge depends our knowledge of the quantity of subjective wealth. The same quantity of objective utilities will represent a small quantity of subjective utilities if they embody a large amount of pain and yield a small amount of satisfaction and vice versa.

The gist of all ethical criticism directed against economics has reference to its neglect to clearly trace the relation between the quantity of objective and of subjective wealth in a community: the charges raised against modern methods of industrial distribution refer to the fact that such distribution is void of any social guarantee insuring that an increase of the objective surplus shall be accompanied by any increase in the subjective surplus, or that it shall not be attended by an absolute decrease of the social subjective surplus.

What relation naturally subsists between the objective and the subjective surpluses, the separate origin and character of which I have tried to trace? The law expressing this relation is a simple one and may be set forth in familiar phrases. Any given piece of objective wealth expands subjectively according as its pain of production is small and its pleasure of consumption great. Hence a piece of wealth in order to be measured subjectively requires answers to the two questions, "Who produces it, and under what conditions?" "Who consumes it, and under what conditions?" In order to attain its maximum as a human good it must be produced with the least human pain and satisfy the greatest need. The phrase, "From each according to his powers, to each according to his needs," expresses the ideal distribution. Thus would the benevolent despot strive to organize

society, thus would the completely civilized democracy strive to organize itself. No comfort would be supplied until all had the necessities, no luxury until all had the comforts. Any breach of this rule, however justifiable upon other grounds, signifies directly that an objective good is converted into a smaller instead of a greater subjective utility. So on the other hand no objective cost must be extracted from *A* when it can be got with less pain from *B*. This, however, does not demand absolute equality measured by our ordinary ideas of effort and enjoyment. One person has what we call "greater capacities" for work and for enjoyment. Strictly speaking, he who is capable of most enjoying (or making the best total use of) anything ought to have it, even though he already has a larger supply of the commodity than another. So he who likes to put forth effort, or least dislikes it, should be called upon to do so. The net ultimate pain on the one hand and pleasure on the other are the true tests of the ideal distribution.

But here again I should not consent to take the direct conscious pleasure or pain as the test, the positions involved in an acceptance of Professor Patten's distinction of "positive" and "negative" utilities. His view, that the calibre of a man or of a society is to be measured by the quantity of positive satisfactions consciously referable to specific acts of consumption, seems to me untenable, and if accepted, would lead up to an ideal of distribution palpably unjust and even self-destructive.

I understand him to contend that a luxury is worth more than a necessary, because we appreciate it more highly and that only in proportion as we rise above the conscious relish of necessities do we attain a civilized level of consumption. Peaches have a higher "positive" utility than bread, because we get a higher conscious satisfaction from eating them. Professor Patten objects to the negative method of estimating a thing's "utility" by the effect of its withdrawal. But he lays stress upon the important part of the "positive" utility of a

good which arises from its harmonious composition of other goods. Now bread and any other fundamental unit of consumption must be regarded as inseparable from the consumption of the "positive" utilities of which it is the necessary condition. Though we may get little direct conscious pleasure from eating bread, the vitality it sustains enters into every higher unit of conscious enjoyment. Hence the necessities yield the largest enjoyment reckoned in consciousness and, measuring utility in conscious satisfaction, the largest utility is given to a commodity by enabling it to satisfy the most urgent needs. So, reversely, certain pains to which we have become inured must be reckoned as positive disabilities. The hard-working laborer often does not consciously value a holiday or any form of remission from his customary work. But the overwork is an evil for all that, and, moreover, an evil which in various ways is represented either in impaired physical enjoyment or in other vital losses, the conscious enjoyment of nature, books, art and other things of which he is deprived by excessive toil.

Further, accepting Professor Patten's theory of positive utilities, it would seem to follow that a small number of men with highly refined and elaborate tastes would represent a larger quantity of "positive utilities" in their consumption than a larger society whose evenly apportioned consumption contained a larger proportion of "negative utilities." Driving this to its logical conclusion it would appear that in any given society a larger net amount of "positive utility" could be achieved by the abnormal cultivation of a single person to a pitch of highest positive enjoyment than by any other disposition of utilities whatsoever. The newest utility is admittedly the one to which highest attention is given and which must figure most largely in consciousness, so that a single man continually plied with novel luxuries might yield a larger amount of "positive utility" than any number of persons less developed and kept to a lower habitual standard of comfort. I do not suppose that Professor Patten

will accept these conclusions, but they certainly seem to me to flow logically from his premises.

My objection against Professor Patten's estimate of subjective "utility" is identical with that which I raised against his estimate of subjective "cost." Just as it seemed best that subjective cost should include all pains, direct or indirect, resulting from the activity which found expression in objective cost, so, likewise, subjective utility must include all pleasures, direct and indirect. My charge against Professor Patten is that he appears to exclude from his "positive utilities" large elements of satisfaction which the secret and complex processes of vitality prevent the consciousness from distinctly referring to their true sources. It might be possible indeed in treating this subject, in order to prevent any misunderstandings about the meanings of pleasure and pain, to go behind these terms and to identify "cost" and "utility" with gain and loss of vitality.

In his most valuable analysis Professor Patten has shown how the utility arising from the consumption of a particular objective utility depends upon its relation to other utilities forming part of the consumption of the same individual, tracing the intricate results which the introduction of a new consumable will have upon the group of commodities with which it is brought into closer or more distant relations, *e. g.*, the effect of a new food upon the total utility of the diet, and also the effects upon other utilities affected by changes in the total utility of the diet. Equivalent effects may be traced on the side of costs. Each new increment in an old class of pain, each introduction of a new pain or cost, will operate upon the other elements of cost which go to make up the aggregate subjective cost. The same laws of harmony etc., which Professor Patten so skillfully traces in utility will have their corresponding laws in cost.

The view of distribution presented in this paper may be thus summarised. There is a single objective "surplus," consisting of those goods and services (or their equivalent

in money) which remain to be distributed after all those who have put forth personal effort in production have received what is sufficient to induce the continuance of such personal effort, *i. e.*, after the strict "expenses" of production have been defrayed. This surplus is distributed as "rents" to the owners of such requisites of production as are relatively short in supply at the several points in production. There is also a single subjective surplus which at any given time consists in the aggregate of human satisfaction rendered by the consumption of this objective surplus, divided in accordance with the laws of monopoly rent. The amount of subjective surplus related to a given quantity of objective surplus may vary indefinitely. Produced by the excessive toil of one class of a community and consumed by the excessive luxury of another class, it represents a minimum of subjective surplus or human welfare. Produced by the equal sacrifice of all and consumed in satisfaction of the equal needs of all it represents, the maximum subjective surplus. The history of the actual distribution of pains and utilities in connection with a given quantity of objective wealth in industrial societies presents an infinite number of possible stages between these two extremes of felicity and misery. How far the actual distribution in a society approximates to the ideally best or the ideally worst condition depends entirely upon the operation of those forces which apportion the consumption of the objective surplus or rents. Under present conditions it appears that the apportionment is ruled by forces social, political, economic, which assign various and shifting amounts of monopolistic power to the owners of the requisites of production, and that the operation of these forces is to no appreciable extent affected by considerations drawn from any estimate of the subjective surplus or net gain of human welfare. A final result yielded by this analysis is the recognition that since the subjective surplus, derived from a given quantity of objective surplus, may be expanded or contracted without assignable limits, by

diminution of subjective cost, by enhancement of subjective utility, or by a combination of these processes society is not, so far as its true satisfaction or life is concerned, at the mercy of mere quantity of objective wealth or "market values." Economies of painful effort on the one hand, of pleasurable uses on the other, are capable of such continuous advance as to render a society independent of the necessity of a continuous increase of objective wealth for its increased happiness.

In our analysis both upon its objective and its subjective side, cost has been most closely attached to the art of production, utility to that of consumption. But a large part of human progress will consist not merely in a diminution of the pain of production and an enhancement of the pleasure of consumption, but in drawing even into closer relation the arts of production and consumption and working unto nearer association the two activities. Thus, while for purposes of estimate, we cannot dispense with the antithetical character of "cost" and "utility," the production of a progressive society will have its units of "utility" in even closer casual relation to its units of "cost," the consumption of such a society being linked in detailed organic connection to its production. The work and life of the true "artist" by suffusing effort with enjoyment has from the individual standpoint advanced furthest along this road. But all productive work has in it some element of art, some part of the effort exercises individuality so as to yield a unit of personal pleasure, and reformation of the industrial arts may expand this element indefinitely. In proportion as each industry is capable of this transformation into an art, units of painful effort may be compensated or even supplanted by units of enjoyment, so that the very processes of production dominated hitherto by "cost" may grow more and more into processes of consumption dominated by enjoyment. In a measurement of individual or social life we cannot dispense with the antithetical terms, pleasure,

pain, effort, utility. Yet it will become increasingly difficult to apply the measurement to particular cases of conscious activity in life. Who shall say what is "cost" and what "utility" in the activity of a genuine artist? A society composed of such individuals is the noble ideal which that most enlightened and poetic of political economists, John Ruskin, has long held out before our eyes. Cost and utility, life and work, would be welded into an inseparable synthesis in the life of the true society.

What makes progress this way so slow is the crude quantitative consumption which prevails in our modern industrial societies whose directing control forces production to partake of the same character. This will continue so long and so far as the arts of production and consumption are unnaturally severed by handing over to certain individuals and classes an economic power to consume without producing. The power of a rich man to consume, as the last item of his least-prized luxury, that article whose production has cost the hardest-worked producer his last and most painful unit of effort, makes the conquest of art over utility impossible for the present.

Every equalization of economic opportunity represents a double gain, for it not only gives a higher subjective utility to each unit of consumption, but it lessens the subjective cost of each unit of production. As it increases utility and diminishes cost, so it also brings together the arts of production and consumption, which, meeting and fusing in every artistic activity or effort, would find their ideal identification in a society where work was life and where the art of living was perfected. This growing identification of work and life should be regarded as the mark and test of true social progress, because the society which has advanced furthest this way will be the society whose surplus of subjective utility over cost will be the largest, and which will therefore enjoy the largest quantity and value of life.

London.

JOHN A. HOBSON.

CONGRESS AND THE CABINET—II.

In the *ANNALS OF THE ACADEMY* for July, 1892, a paper by Mr. Freeman Snow was published, criticising my plea for giving to the members of the Cabinet seats in Congress. The subject is of sufficient importance to justify the presentation of some further considerations, though it has been unavoidably delayed.

The objection to that paper is that Mr. Snow does not discuss what I advocate, but something entirely different :

"What Mr. Bradford would seem to desire for the United States is responsible cabinet-government, but as that cannot be had without a radical change of the Constitution, he proposes that Congress shall voluntarily transfer the conduct of legislation to the wholly irresponsible officers of the executive."

When a person is said to be responsible, the question at once presents itself, to whom is he responsible? When Mr. Snow speaks of responsible cabinet-government, he means, as is evident from the rest of his argument, a government responsible to Congress; and because the officers of the executive department are not responsible to Congress he says that they are "wholly irresponsible." To show that this looseness of language involves the root of the whole matter, it will be necessary to glance at the history of parliamentary government. Perhaps the greatest glory of England, that which makes her political history more valuable to the whole world than that of any other nation, ancient or modern, is this, that she has wrought out during two centuries the problem of creating an executive power at once strong enough to govern, and at the same time responsible and obedient to public opinion as expressed through parliament. In all other countries the story is of despotism at one time and anarchy at another. In Great Britain alone the executive power has gone steadily on, passing from one

party to another, and from one generation to another, taking up and settling one complex social problem after another, so that while this century has seen changes in both government and people almost as great as those effected by the French Revolution, it has all been accomplished without anything worse than a riot in the last hundred and fifty years. Thoroughly American in feeling, as I claim to be, and believing that everything in this country—except government, and that also in many respects—is better than anywhere else in the world, I can never contemplate this history without a tribute of enthusiastic admiration, and a firm conviction that this splendid machinery will, within another generation, work out a solution even of the apparently hopeless Irish question. But this political machinery has one feature, which, though it has worked extremely well while the government was in the hands of a limited class, and was perhaps the only method by which its results could have been obtained, yet shows some weakness as an instrument of democracy, that is of a government depending for its motive power upon what is called universal suffrage. The executive power is established, not by the people, but by the legislature, substantially through what is known as second election. The result is that the ministry, being created by a parliamentary majority, is dependent upon that majority, and must resign at its bidding, having only an indirect power of appeal to the nation. Now the one great difficulty which has been developed in popular representative government, in its short experience of a hundred years, is the predominance of the legislative and the weakness of executive power. That is the one lesson of French history, from 1789 to this day; and equally so of the United States from the time of the Declaration of Independence: and not only of the Federal government, but of every State, and every city in the Union. Government by a legislature means anarchy, with its inevitable result of military despotism, whether that legislature is the Long Parliament of 1640, the Constituent Legislative

Assemblies of France, or the Congress and the State Legislatures of the United States, though here the power and the intelligence of the people, and the strength of local organization are such that they have prevented, with one memorable exception, and probably will for generations continue to prevent such disastrous results. It is to be hoped that in the meantime the problem of the proper balance of power may be worked out here.

The fundamental difference between the governments of Great Britain and the United States consists in this, that in the latter the Executive is a President, elected every four years by the majority of the whole nation. The intervention of presidential electors has become a mere form: and the election by States, though it differs somewhat, does not differ greatly from a popular vote. The Queen of Great Britain reigns by hereditary descent, and is dependent for her position neither upon Parliament nor the people. As an offset to this the crown has been deprived of all but nominal power, though its influence is undoubtedly still considerable. The real executive, as Mr. Bagehot has clearly shown, is the ministry, which is in effect a committee of parliament. When one ministry goes out, the leader of the opposition is invited by the queen to form a new ministry. If he thinks he can command a majority, he invites certain other leading men to join him, which they will only do upon condition of his supporting them, so that if any one of them is defeated the whole ministry will resign. Every effort is therefore directed to maintaining the party majority, and how difficult this is, is shown by comparison of the groups and the constantly-changing ministries in France. It is a condition of unstable equilibrium. Our Cabinet officers, on the other hand, are the direct appointees of the President. So far from being irresponsible, they are jointly and severally, as well as absolutely, responsible to him. He can change one or all of them at his pleasure, subject only to the consent of the Senate, which has very rarely been, and

under the circumstances herein proposed, never would be refused, unless in very extreme cases. But the President is himself responsible to the nation, and therefore his Cabinet is so also. In other words, he appoints its members, subject to his responsibility to the majority of the nation. The Cabinet is, therefore, irresponsible only as regards Congress. It has its own separate responsibility to the people precisely as Congress has, but with this difference, that the constituents of the Cabinet are the majority of the whole nation, acting through the President, while the constituents of each Congressman are only the majority of his own district, and of each Senator only the majority of his own State Legislature. This fact of the separate and direct responsibility of both executive and legislature to the common arbiter and sovereign, the people, is of immense importance, and like nothing else in the world. From their responsibility to the President alone it follows that the members of the Cabinet need stand in no fear of Congress, or to resign in case of an adverse vote. If, indeed, the President felt that one or more members of the Cabinet had proved to be incompetent, he could, and probably would, change them at his pleasure. But, if otherwise, he could uphold them against any adverse majority in one or both Houses. The defeated member could either abandon the rejected measure under protest and appeal to the country, or could modify it, still under protest, till the majority would accept it, or could drop the subject, and, contenting himself with existing legislation, go on to something else till the verdict of the people was pronounced at the next election. But there would be no more necessity of his resigning than there is now. From the fact that both Congress and the Executive have a separate and independent responsibility to the people, as also from the much wider and more numerous constituency of the Executive, it would follow that Congress would be much less dominant and dictatorial in its relations to the Executive than it is at present, or than is the British House of Commons, or the French

Chamber of Deputies. Nobody doubts that members of Congress are sensitive enough to any manifestation of the will of their constituents. The trouble is that with the present methods of government by the lobby and secret committees, there is no opportunity for the formation or the expression of public opinion. But if one of the President's lieutenants, felt by every part of the country to be the agent of the whole, were to stand up in open Congress to express his views and plans upon any public question, and these were discussed by the press of the whole country, itself anxious to conform to and express public opinion, members of Congress would be exceedingly careful about factious opposition in the face of such a power as that. So long as a secretary could maintain the conviction of his purity and elevation of character, even though his ability was not of the highest, he would be safe from bullying and sure of respectful treatment. It would be only trickery or dishonest collusion with private interests which would ensure his speedy downfall.

To return to Mr. Snow. He says that the Pendleton Senate Report of 1881, proposed to give to the members of the Cabinet "the privilege to give their suggestions and advice in debate by word of mouth," and that this would probably neither do much good nor much harm, but that it is totally different from my proposal "to transfer the initiative and conduct of the business of legislation from the members of Congress to the officers of the executive department;" that this, even if desirable, is not what is proposed by the Pendleton Report, and could not be done without a change in the Constitution, and without the cabinet officers being at the same time members of the Houses. The Pendleton Report contains this clause :

"The advantages of the system proposed are so obvious and manifold that the committee feels relieved from a detailed statement of them, and confines this report to an examination of the question of its constitutionality."

The reason of this curt dismissal of the main point evidently was, that the committee had no inclination to encounter the torrent of opposing interests. As the result which Mr. Snow correctly charges me with desiring would be the greatest of these advantages, and could, as I believe, be brought about without any change of the Constitution, and without requiring the cabinet officers to be members of the Houses, it may be desirable to consider how this would occur. When the next Congress assembles there will be 356 members—and the reasoning is just as good for the Senate with its eighty-eight members—all precisely equal. Probably not more than one-half of the members have ever been there before, and very few for more than one term. There is nothing to distinguish the most accomplished statesman from the most ignorant tradesman who has been successful in business, and there is no reason why one should give way to another. They can do nothing at all till they have elected a speaker. That speaker makes up, at his absolute discretion, the standing committees, some fifty in number, to whom everything is referred.

These committees have almost absolute power to suppress any legislation which they do not like, and more power than anybody else to get any laws passed which they wish for. To these committees are sent, upon a precisely equal footing, all the bills and resolves, amounting to thousands in number, which any member may see fit to introduce. The question which of these measures shall be taken up by the House depends, not upon any public, responsible and national authority, but upon the power of intrigue with the committees, irresponsible in every sense of the word, and when any measures are taken up by the House, neither the debate nor the voting is guided by any such authority, but by the laborious building up of a majority, vote by vote, through the private and party operations of the lobby. In another article upon "Responsible Cabinet Government," to which Mr. Snow refers, he says :

"The aim of popular government should be, not how best to govern the people, but how best to teach them to govern themselves."

The simple answer to this is, that it is wholly impossible for a people under any circumstances to govern themselves. Probably Mr. Snow himself would not maintain that sixty millions of people, acting in a mass, could either make laws or execute them. And whether they delegate their power to five men or five hundred men the principle is the same. Again he says:

"Bagehot seems to hope that the mass of Englishmen will always remain in a state of respectful ignorance, merely indicating, now and then, which of the best and wisest statesmen of England they wish to have as rulers. It is needless to say that this is not a picture of democracy."

Why not? Is democracy to choose the worst and most foolish statesmen? For it must choose them of some kind, unless Mr. Snow proposes to give up representative institutions and have the people of the United States do business in mass meeting. If this is the only obstacle to cabinet government it does not appear why it should not succeed in the United States.

Mr. Snow doubts the proposition that the people of the United States, as a whole, are not represented in Congress, and cannot see why the President represents the whole country any more than Congress does. It is true in mathematics, but it is not true in politics, that the sum of the parts is equal to the whole. There is no man who can speak in Congress for the whole country, or can command its attention as a cabinet officer would do.

The complete anarchy and absence of leadership in the House of Representatives have evolved in the speaker the greatest power of any individual in the country. By his power of making up the standing committees, in which, of course, he must pay his debts to those to whom he owes his election; by his further power of recognizing or ignoring whom he pleases in debate, and by the new power of counting

a quorum at his pleasure, not yet fully crystallized, but in a very promising stage, he has become one of the greatest dangers to the liberties of this country. And this is all the more so that the speaker, like every other member, only represents a single district, is in no way directly responsible for legislation, and neither directly nor indirectly for the effect of laws upon the administration. Instead of being an impartial presiding officer he is the purest instrument of party politics manipulated by the lobby.

Perhaps the best way to discuss Mr. Snow's argument will be to take a concrete case, and trace its probable working; and the tariff, at once by its complexity and its universal national interest, offers a good example. Suppose that when Congress meets the Secretary of the Treasury, by invitation of the House of Representatives, in accordance with the Pendleton Bill, should appear and take his seat near the speaker's desk. The first thing to be noted is, that it is not at all necessary that he should be a member of the House. He is simply an agent of the administration, having no vote, but presenting the wants of the treasury, and the effect of the existing tariff upon the financial interests of the country. Observe, again, how different his position would be from that of appearing before a committee, say, of Ways and Means. The committee is not a place for debate. It does not care to argue with the secretary. With its inherent jealousy of the Executive, it does not care what he has to say. For form's sake, it listens to him, perhaps asks him a few questions, and then dismisses him and conducts its deliberations and forms its decision upon motives which the country never sees or understands at all. But the House is the place for debate. Every word that the secretary said there would be reported, and his language and bearing discussed in almost every newspaper in the United States. Mr. Snow cannot see how the President represents the whole country any more than Congress. The simplest appeal to fact shows that the President excites equal interest in Maine and Louisiana, in Wisconsin

and Florida, in Virginia and California. The speaker and the Chairman of Ways and Means are perhaps the most important members of the House. But they represent each precisely one three-hundreth and fifty-sixth part of the country, and the rest of it, except from the point of view of party politics, cares very little what either of them thinks or says :

“ But how can the President represent the country as a whole on any question which interests every part? Take, for instance, the question of free-coinage of silver ; the South is for it, the East against it, and the West divided. No one man can represent all these views.”

The trouble is that Congress does represent them all separately, and engages in an internecine struggle by means of intrigue, lobbying and political tricks, as to which of them shall prevail. What is wanted is a mediator, whom all look up to as their official representative, to prepare a scheme of compromise and adjustment of interests, accepted by all, as, if not what they want, yet the best which under the circumstances, they can expect to obtain for the present. A good illustration is to be found in the first English parliamentary reform. The state of society was far more dangerous than anything existing at present in this country. The exasperation of classes had been raised to the highest point. If the question had been left to the wrangles of parliament and parties, it would have certainly ended in civil war. But it took the form, first, whether a particular ministry should be put in power to settle the quarrel, a matter not for fighting, but for argument and votes. The ministry, once installed, was looked to as the national arbiter, to prepare a bill which both sides could accept. That bill was so complex and so indirect, that probably not five per cent of the population understood it at all, or how it was to work. The great multitude, however, was persuaded that somehow or other it was to bring relief even to the extent of providing bread for the poor. The agitation was, therefore, directly on behalf of the bill and nothing but the bill ! again, a matter not for fighting but for votes. Twice

the bill was accepted by the Commons and thrown out by the Lords. The storm was all ready to burst when the Upper House, threatened with swamping by a fresh creation of peers, and seeing in the bill just what they had to accept, swallowed the dose, and England glided peacefully over from the feudal ages into the nineteenth century. The President and his Cabinet could do, if they had the opportunity, what Congress never will or can do, while, on the contrary, it is increasing sectional bitterness more and more every year.

But we have left the secretary waiting, and it is time for him to speak. He rises in his place, and it is safe to say the speaker will recognize him without regard to party, greatly to the disgust of members who cannot get the same opportunity. He does not embark upon a radical reform of the tariff, but proposes a few changes of detail, among others, for example, free wool, and makes those a pretext for a discussion of the whole subject. If a private member had made the same proposal it would be referred with a hundred others to the appropriate committee. The author would be divorced from his measure, and the latter would disappear, perhaps for months, and if ever heard from again, it would be as a part of an elaborate bill, prepared by the committee, upon motives and considerations of which the country would know nothing. Mr. Snow would probably say that the secretary's proposal would be referred in the same way. But he is a very different individual. In the course of his speech he would insist respectfully but earnestly, upon the importance of immediate public discussion, and would close with submitting a resolution to that effect. Some members of his party, seeing the political capital to be made, would support the resolution. The opposition would at once see that with the secretary's speech published all over the country, it would be too dangerous to try to stifle it by reference to a committee, and that they had got to take the bull by the horns. They would be anxious as to the character of the debate. It would never do to let any blatant member who could catch

the speaker's eye damage the party and the cause by displaying his ignorance. They would go into caucus to select their best man to conduct the debate, and in a general way the speakers to follow him. The House would be divided into two organized and disciplined bodies under their respective leaders, ready to join battle in a discussion of principles before the whole country looking on with the most intense interest. Cannot Mr. Snow see how the "advice and suggestion" of the Pendleton Report might develop into something vastly more important, and that such are "the obvious advantages" which the author of that report pointed to but did not see fit to discuss?

We will suppose that while the regular business of the session was going on this discussion was kept up for two or three months. The country, as a whole, would learn more and come to more definite conclusions than from all the efforts of local writers and speakers, including members of Congress, in as many years, from which, indeed, it probably does not learn anything at all. There would be added the immense force of personality. Members would come before their constituents through their speeches and votes in a totally different light and have a chance of standing on their own feet, instead of being the mere nominees of a party convention. The whole country would begin to take sides with the secretary and the President behind him on the one part, and the leader of opposition and his followers on the other. The elections would begin to take on a wholly different character.

Suppose next that after a three months' debate a vote was taken, and the secretary's proposals defeated by a large majority. It would not be necessary for the Cabinet or even the secretary to resign. The President might say to the latter in private, "You have done well. Now help on the business of the session with tact and prudence, and we will see what another year may bring forth." Or he might conclude that the secretary was not up to his work, ask for his resignation privately, and invite the member of the same party who had

been most prominent and effective in the debate to take his place, and any member would gladly resign (reserving his chance of subsequent re-election when out of office) for a post of such distinction as the Cabinet would then offer.

These ramifications might be followed out indefinitely to meet possible objections, but there is one important consideration, that if the experiment did not work satisfactorily, the House at the end of the session would need only to rescind the resolution inviting the presence of the secretary, and the present condition of things would be restored. The question presents itself, why a measure recommended unanimously by eight Senators from both parties as offering "obvious advantages," so easily tried and set aside if it fails, has never received the slightest attention from Congress. There is an amply sufficient reason to be presently noticed.

I am happy to be able to agree with Mr. Snow in one particular, and that is as to the fact and the danger of the unchecked and absolute power of the British House of Commons, particularly with the advent of democracy. But he intimates, though he does not exactly state, that the same thing does not exist here. The fact is that the power of Congress is infinitely greater and more dangerous than that of the House of Commons. It is true that the House of Commons makes and unmakes the ministry, and is not bound by any written constitution. But while the ministry exists the House leaves to it not only the executive power but that which is the essential condition of such power, the guidance and control of legislation; and, moreover, the House is kept in order by the potent fear of dissolution. It would not be difficult to show from the history of the last hundred and fifty years that these things have given to Great Britain, upon the whole, the strongest executive government in the world, and in which there are as yet no marked signs of decay. It is true again that our Congress does not create and cannot remove the Cabinet, which is appointed by the President, himself elected by the nation, and also that

Congress is bound by our written Constitution. But as to the first point, Congress has much more than offset the difference by entirely excluding the executive from all share or voice in the guidance of legislation, and reducing it to be the blind instrument of any orders the legislature may choose to give. Experience is rapidly showing that within the framework of the Constitution there is hardly any limit to the evil which legislative anarchy can set on foot. No doubt the President has great power if he will stoop to intrigue and the use of offices, but as he must do that in subjection to members of Congress, it only emphasizes his weakness. The strongest test of all governments is finance. Notwithstanding the absolute power of the House of Commons, the whole subject is left to the Chancellor of the Exchequer. He regulates the revenue, and in conjunction with his colleagues the expenditure, subject only to acceptance or rejection by Parliament. The result is incomparably the first public finance in the world. With us the subject is in the hands of committees of Congress, and, as if to reach the acme of confusion, the expenditure and the revenue are entrusted to different committees in the House alone, to say nothing of those of the Senate and the conference committees. For the consequences, it is only necessary to point to our national finance of the last five years, a disgrace to a civilized nation. If the country should find that the change to a Democratic majority in the government results in no substantial improvement it would seem as if it would be tempted to ask the reason why.

Again Mr. Snow says :

"Nor is it to be assumed, because England has suppressed the 'spoils system' that only responsible government is capable of accomplishing this task ; it is the argument '*post hoc, propter hoc*,' and really proves nothing."

Putting one assertion against another, I remark, that there is not, in all political history, a more perfect example of cause and effect. After the reform act of 1852 was passed, which was on the direct proposal of a responsible ministry, the

ministers were held personally accountable for the execution of it. If any of them made a political appointment he was at once attacked in the House by individual members of the opposition, and so roasted, that he was not only very careful not to repeat the offence, but served as a warning to others. Some years ago Mr. Disraeli was suspected of appointing a relative to a minor office. He was instantly and publicly put upon the rack in the House, and went through a pitiable process of shuffling and evasion—a punishment which he did not need more than once. Mr. Gladstone said very truly that he had not power to appoint even a tide-waiter. Our President and heads of departments are under tremendous pressure from members and senators, and in yielding they have nothing directly to fear beyond an investigating committee, which can only be appointed by a majority of one or both Houses, and whose report, coming long after the event, and generally whitewashing its own party and condemning the other, is received by the country only with contempt.

"It may be said further, that we have in the Senate one of the most efficient legislative bodies that have ever existed in any country. It is the object at once of the admiration and the envy of the statesmen of Europe of all parties;* and even our most severe critics are constrained to admit the excellence of its legislative methods. We have a powerful corrective in the Senate of the inefficient House legislation."

I ask any impartial student to spend a winter in Washington and find out for himself whether the Senate is not rapidly becoming a club of rich men, devoted, in a great and increasing degree, to the promotion of local and private interests. Its members are elected by the State Legislatures, much more easily managed than the voters at large, and they care chiefly for the interests only of their own State. They are elected for longer terms than any other member of the government.

* Readers are recommended to examine the simple descriptive account of the Senate given by Hon. James Bryce in his *American Commonwealth*, and decide if that is the impression which he succeeds in conveying.

Being renewed by fractions the Senate never dies, which the House does every two years. By their power of confirming the higher appointments, the Senators hold the President in an iron grasp, and compel him by the "courtesy of the Senate" to divide those appointments among their States. The Senate is certainly more powerful than the House, though whether it corrects its work for better or for worse, is another question, but to the President it is a complete and irresponsible dictator. Nothing but the full strength of executive power backed by the nation can prevent it from becoming, in the long run, a tyrannical oligarchy, notoriously one of the worst of governments.* In reply to the probable charge of "Anglo-mania," I believe, and have no hesitation in expressing that belief, that our Congress possesses a higher average of ability and intelligence, and quite as high an average of intention as the British Parliament, and that if we could exchange systems of doing business for twenty-five years, our government would have the reputation of purity and efficiency, and the government of Great Britain that of inefficiency and corruption.

Mr. Snow quotes the very popular provision of the

* Since the above was written, the Senate has itself furnished the strongest of arguments in favor of my position. The question was of the repeal of the so-called "Sherman Silver Law of 1890." The President called an extra session of Congress for the purpose, and urged it strongly in his message. The House of Representatives responded promptly by a large majority. The Senate has dallied for two months, allowing a small minority to obstruct its proceedings, and to endanger a conclusion, for which almost the whole country is clamoring in the loudest tones. The fact is, they are Senators before anything else. This body of equal potentates, two from each State, has established the principle, that nothing must be done upon compulsion, but everything by trading, the trading being based upon the wants of their respective States, or, the private interests which control them, and with a lofty indifference to the welfare or the wishes of the people at large. What is needed is the presence of some one armed with authority, and of whom they are afraid, or, to speak plainly, a lion tamer with a whip. The only person who can perform this function, is the Secretary of the Treasury, acting for the President, and representing through him the whole nation and all the States. If Mr. Carlisle were to stand up in the Senate, in accordance with the Pendleton report, and with the press and public opinion thundering behind him, were to demand a vote in the name of the nation, every Senator might be cowed. The question will have to be settled whether the people of the United States exist for the Senate, or the Senate for the people; and, if the people expect to settle it in their own favor, they will need to put forth their whole strength.

Massachusetts constitution, which says that neither the executive, legislative nor judicial branches shall exercise the powers of the others. Unfortunately it does not define what are executive and what legislative powers, and as the practice has been in this country, both with the nation and the States, to leave the legislatures, in spite of some feeble constitutional restrictions, to fix the boundaries at their own pleasure, it is not surprising that the executive is thrown prostrate, and that the legislative body, quite as greedy of power as any individual, has absorbed the functions of two branches, and shows a strong inclination for those of the third. If the object is good and steady government in the interest of the whole people, instead of the rule of faction, anarchy and private interests, then the guidance of legislation is just as much executive work as that of the post-office or the mint.

In truth, the preponderance of legislative power is not peculiar either to England or the United States. The strongest lesson which representative government by universal suffrage, whereof the world has never had any experience till within this century, is this, that such preponderance is the greatest visible danger which threatens the future of popular government. In France, after a century of oscillations between executives too weak to govern, and too strong to be kept under control, universal suffrage has solidly established the republic. Yet it is apparently drifting to shipwreck from the weakness of executive power and the domination of the chambers. The President is elected by the chambers and not by the people, having not even the power of dissolution without the consent of the senate. The chambers control the whole government, including the budget, by their committees; and employ themselves in setting up and pulling down ministries, the various groups combining for the purpose and for no other. The prospect is that there will have to be either a readjustment of powers or another revolution. In Italy the case is just about as bad, and if not in Germany,

it is prevented by a still worse evil, that the master of a million bayonets is able thus far to impose his will both on parliament and the nation.

Leaving apart other nations, the struggle which is coming in this country, almost as momentous, though not so obvious as that with slavery, is between legislative and executive power. If taken in time it may give us executive power strong enough to govern, but responsive and obedient to the will of the nation. If neglected too long it must end as anarchy always ends, in military rule. The conditions for settling this problem are perhaps more favorable in this country than anywhere else. We have, in president, governor, or mayor, a single executive head elected directly by the people at large and dependent upon them only. But these heads are carefully kept out of sight and touch with the people by the intervention of the legislature. What is wanted is that the latter should stand on one side and let the executive have the same chance of addressing its constituents and presenting its case and arguments that the legislature has. But this the legislature will never do of its own motion. And here we have the real reason why the Pendleton Report has never received any attention from Congress. Mr. Snow says that for the Cabinet to take part in debate would evidently not be in accordance with the intention of the framers of the Constitution. It is difficult to see where he finds the intention in the absence of language, but the intention as well as the act of the First Congress is obvious enough. The question was, whether Hamilton's report on the finances should be submitted orally or in writing. It was argued on one side that members could not understand it without personal explanation, and on the other that they wanted to take it home and study it. It seems as if a child could have pointed out that both advantages were open to them, but the assigned reasons were not the real ones. Members shrank instinctively from an agency which would compel them to personal and public responsibility.

"In the debate on this measure in the House, it was objected that it would establish a precedent which might be extended until we admitted all the ministers of the government on the floor . . . thus laying the foundation for aristocracy or a detestable monarchy."

There spoke the true spirit of legislative jealousy, and it settled the practice of the government, and is just as potent to-day. The first step will be taken when some President or governor turns directly to the people and asks for their protection of the rights of his office against the encroachments of the legislature, and it is by no means impossible that the country may be astonished at the response he will receive. So in the middle ages, in Europe, the sovereigns appealed to the nations for help in crushing the feudal barons, who made life a burden to all about them. The trouble in that case was that after crushing the barons the sovereigns turned round and crushed the people, though that even in the interest of the people, was the least evil of the two. The modern safeguard against this is the existence of legislatures, without whose public consent the executive cannot command a dollar of money or the services of a policeman, and which stand always ready to warn the people of the slightest attempt against their liberties by a magistrate who must go constantly back to them for election. No doubt very many and sensible people reason that the multitude are easily misled by a bad man, and might support him in suppressing the legislature. It would be interesting to examine, and the evidence is not wanting, from the century's history of universal suffrage, whether that conclusion is justified, but one thing may be said, that we should, by such a process, get at the real wishes of the majority of the people, which we certainly do not now. For all our talk about a government of, by and for the people, the effect of the predominance of the legislatures is to throw almost the whole control of government into the hands of party managers and machine politicians. We ought to be willing either really to trust the people or give up the pretence of doing so.

"Again Mr. Bradford would seem to believe that, by giving the initiative in legislation to the executive officers, such laws as the McKinley Act, of which he does not approve, would not be enacted. On the contrary, would not it facilitate the passage of such bills if they were supported by the executive and its influence?"

But they never would be supported by the executive and its influence. Without discussing protection or free trade, the McKinley Act was, in my opinion, in its object, though not entirely successful in practice, an instrument of plunder of the nation by private interests. Moreover, it is full of absurdities in common with our other tariff laws, which make it almost impossible to administer. No executive, which had to face cross-examination and debate in the House and before the country, would dare to bring forward such a bill :

"The McKinley Act was passed because a majority of the Representatives of the people in Congress were in favor of it : and no one will say that it was not openly and fairly discussed."

On the contrary, great numbers of persons will and do say that. It was passed by that process of lobbying and log-rolling which has made our government a by-word among nations. So much at any rate is certain, that it was never subjected to any criticism from a national point of view. A certain number of representatives, whether from personal or party motives, worked hard for its passage. A number of others, with less concert of action, worked against it, and a large proportion having no leader to rally round, no common impulse and no support of public opinion, looked on in helpless indifference. There was not, and there never is, anybody speaking with authority as to the effect upon the welfare of the nation and in practical administration. That kind of criticism could come only from the Secretary of the Treasury :

"The overgrown power of the speaker and the exaggerated committee system in our legislation are not integral parts of the Constitution ; they are subject to the temporary rules of the House, and may be modified or abolished at pleasure."

These things have existed, in their main features, ever since the House did, and under the present system they will continue to exist in vigorous growth as long as the House does. They are desperate, and certainly very ingenious, expedients for injecting some working force into what would otherwise be a paralyzed mob. The only possible way of getting rid of them is to provide a substitute organization, with leaders, whom independent members as well as parties can rally around. The only available leaders are the members of the Cabinet with their natural complement, elected leaders of opposition. To have any meaning, agitation against one system must be agitation in favor of the other, or of something equivalent :

"It seems somewhat singular that Americans should continue to write essays and books in praise of responsible Cabinet Government, when that system is not only being discredited at home, but when, as these same writers admit, there is not the remotest possibility of its introduction into this country."

If by "at home" Mr. Snow means Great Britain, which is the mother of the system, his statement would probably excite laughter among the great majority of Englishmen. In his condemnation of that system, he quotes two Americans, one Belgian and one German, but not a single Englishman. He would do well to ponder what such writers as Walter Bagehot, Erskine May and Alpheus Todd say of it, while even on the continent of Europe, bad as it may be, there is not a single government, making any pretence to parliamentary institutions, which would think for a moment of dispensing with it. Believing that it would work here as well, or even better than in England, I protest strongly against Mr. Bagehot's triumphant conclusion that it is a blessing which we can never enjoy. There is at least one writer, therefore, who does not admit the impossibility of its introduction into this country. On the contrary, believing that our present system is leading us straight, with only a question of time, to civil war, and in the faith that the

American people, so quick in the adoption of material improvements, will have the insight, the wisdom and the patriotism to avert this catastrophe, he proposes to employ his remaining strength, feeble as it may be, in the effort to point out to his countrymen the danger which lies before them, and the path which appears to him to offer the only effective and available way of escape.

GAMALIEL BRADFORD.

Boston.

THE TOTAL UTILITY STANDARD OF DEFERRED PAYMENTS.

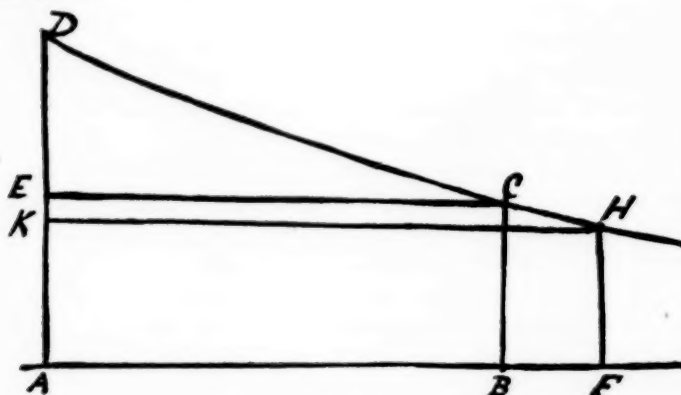
In a paper entitled "The Standard of Deferred Payments," published in the *ANNALS* for November, 1892, the writer inquired what course of prices will do justice to both parties to a time contract calling for a money payment. In the *ANNALS* for January, 1893, Dr. L. S. Merriam presented a thoughtful paper in which he criticised the conclusions of the first paper and gave grounds for reaching a very different result. It is now my purpose to re-open the question, and while accepting certain of his corrections, to advance reasons for adhering to my original position.

Stripped of the practical guise under which it first appeared to me the problem is simply this: At a certain date a man receives from another goods, or services, or power to buy them, and in return engages to pay at a future date a sum of money of present equivalence. During the interval there is an increase in the productiveness of human labor, and, consequently, in the abundance of goods. Determine now what should be the course of general prices in order that the contract may be kept without injustice to either debtor or creditor. The solution of this problem involves a quest for the just standard of deferred payments to which money in discharging this function should conform.

In my first paper two solutions were distinguished. The gold monometallists hold that the general price of labor should remain constant so that the debtor may return as much command over labor as he originally received. The bimetallicists affirm that the general price level of commodities should remain constant so that the creditor should receive no more command over consumption goods than he originally loaned. It was held that these assertions involved

two controversies—one as to the ultimate standard of value, the other as to the proper destination of the benefits of industrial progress. The merits of both of these controversies were examined and weighed and the decision in both cases was against the monometallist. But the bimetallist contention was not entirely justified. It was held that the creditor is entitled to receive an amount of utility equal to that he originally parted with. And in view of the declining power of commodities to procure social satisfactions, owing to the rising scale of living, he should receive a certain excess of purchasing power. This requires a certain fall in prices much slighter, however, than that justified by the monometallists.

In his reply to this paper Dr. Merriam agrees with the writer in rejecting the labor standard of the monometallists and the commodity standard of the bimetallists. But he finds the simple utility standard likewise faulty and puts forward marginal utility as affording the only basis for a just and scientific standard of deferred payments. There are therefore four different standards in the field competing for the solution of the problem of deferred payments. Their relations may be seen at a glance by referring to this diagram :



Suppose the members of a community are able at a certain date to provide themselves by their industry with AB of goods of which the utility scale is DC . Ten years later, owing to industrial progress, they are able with the same effort to provide themselves with AF of goods of which the utility scale is DH . Population, mode of consumption, credit, frequency of exchange and rapidity of monetary circulation remaining the same, what ratio should exist between the money volumes and between the price levels of the two periods in order to secure justice to both debtor and creditor?

1. The *labor standard* advocates contend that as the wealth of the community, though more abundant, represents and hence commands no more labor than formerly, it should command no more money. The volume of money should be the same while prices should fall to $\frac{AB}{AF}$ of their former level.

2. The defenders of the *commodity standard* maintain that the volume of money should increase with the volume of goods so that the price level may remain the same and the relation of goods to money be undisturbed.

3. Dr. Merriam proposes the *marginal utility, or "total value" standard*, which requires that the volume of money should accurately reflect the change in total value from $ABCE$ to $AFHK$. Prices then would fall in correspondence with the sinking of marginal utility from BC to FH .

4. The *total utility standard* proposed by the writer requires that the volume of money should reflect the change in total utility from $ABCD$ to $AFHD$. Prices should then fall in the ratio of $\frac{ABCD}{AB}$ to $\frac{AFHD}{AF}$.

These four standards are all that have yet been proposed. As Dr. Merriam and the writer agree in rejecting the first and second, this paper will be devoted to a comparison of the merits of the third and the fourth—the two that have

been brought to light in the course of the discussion. These agree in taking account of the *utility* of goods rather than of their *labor cost*, or of their *physical quantity*, as do the cruder popular theories. They differ, however, in their attitude toward utility, the one emphasizing *total value* founded on marginal utility, the other *total utility*.

The relation of his paper to my former paper needs a few words. Directed as it was against the false labor standard of the monometallists, my first paper was critical rather than constructive, and the standard roughly hewn out in the concluding pages is far from possessing definiteness, completeness and precision. The marginal utility doctrine was not sufficiently interrogated, and I am glad to own my debt to Dr. Merriam for the light he has thrown upon its relations to the theory of money. The statement that "A general decline in marginal utilities is as impossible as a general decline in values" was seen to be erroneous even before it appeared. I must ask moreover that in the statement that justice between debtor and creditor consists in "restoring equal values," the word "value" be not interpreted in the narrow sense of "market value." With these qualifications I am prepared to defend my former position and to justify on the theoretical side a standard substantially identical, as I conceive it, with that arrived at in the earlier paper. The argument will be developed in the course of a two-fold analysis of value, the one part general, the other special.

The earlier thinkers sought in vain to root value in utility. Not noticing the declension of utility with increase of quantity they were puzzled by the low value of the so-called necessities and the high value of the luxuries. Again, they found they might review the whole circle of consumers without finding "value in use," or utility, coinciding with market value. As the valuations of individuals seemed to stand at all levels above value but were rarely identical with it, it was held impossible to base value on utility. A thousand pianos

sold to-day will have a thousand different utilities. If the value of each is as its utility there should be a thousand different values; while there is in fact but one. Can you found one value on a thousand different utilities? Or if you select one utility, then which utility? Why that of *A* rather than that of *B*.

The doctrine of Satiabile Wants and of the Declension of Utility shed a flood of light on the baffling phenomena of value. The eagerness to possess, or reluctance to forego, a unit of commodity was seen to be measured by its utility at the margin of use. The utility of a unit at the margin, then, became by imputation the value of each and every like unit in one's stock of goods. When men's valuation of a unit of good was thus shown to coincide with its utility at the margin of use, it became evident there was needed only the condition of variable quantity in order to explain the ancient paradox that superfluities are highly valued while necessities are usually little esteemed.

Once the might of a marginal unit as fixer of subjective value came to light, it was inevitable that the principle should be applied to the problem of market value. When the market is analyzed we discover that Market Value is identical with the valuation of the buyer at a margin determined by the quantity of the commodity. As buyers of fully finished goods in final markets are usually consumers, the valuation that finally prevails is identical with the utility of the good to the consumers at the margin of consumption. The competition of consumers brings about a single margin of consumption which holds for all alike. The emergence of a margin of social consumption for an article does not mean that the marginal increment of one consumer yields him the same number of units of utility as that of every other consumer, but that the measure of a consumer's margin of utility divided by the utility to him of a unit of the medium of exchange is the same for all others. The market value of an increment of commodity is a cent, because its

utility at the margin of social consumption is a cent, which means in turn that each consumer buys clear down to the margin of social consumption, where another increment would yield him no more utility than a cent expended for some other article.

The marvel of the market is that the utility of the marginal increments determines not only their own value, but that of all other portions as well; so that all the exchanges take place at a ratio imposed by that portion which will supply the least intense want for that commodity. From this dominance of the margin arises legitimately the notion of a total value ascertained by multiplying the quantity of commodity by marginal utility. But this conception is very liable to be translated out of its proper sphere and put to illegitimate use. For reasons that will appear later it is frequently applied to all totals of good whatever, whereas, as I hope to show, it is true for goods in or for the market and for these alone. The scope of the total value concept merits attention seeing that in misuse of it lies, I believe, the error of the marginal utility standard.

An individual has five units of a good of which the respective utilities are 8, 5, 4, 2, 1. The true importance to him of the fifth unit is plainly 1 and, as the units are alike, each will be valued at 1. Total value then appears to be 5. But will he part with his whole stock for anything above five units of value? If he part with one unit for a breakfast, will he part with all for five successive breakfasts? If he part with one for a Saturday off, will he forego all for the sake of five Saturdays off? As it is impossible that he should hold the importance of all at only five times the value of a single unit, I conclude total value in the conventional sense can here be nothing but an empty abstraction. Or take a concrete instance. A Dakota farmer has provided ten cords of wood as his winter fuel. Heavy snows come and a less provident neighbor wishes to buy wood of him. He will part with a cord for \$7. Will anyone say that the total

value of the stock of wood is therefore \$70? Let him but offer \$70 and see if he gets the wood.

Another test of the concept of total value is afforded by those goods which give off a number of distinct, concrete uses capable of independent valuation. A piano, *e. g.*, renders a multitude of musical services, some of which may be of such slight utility to the owner as to be given away. Will, therefore, the owner, seeing the marginal utility of the piano's services is zero, part with or rent the instrument for nothing? A well furnishes so much water that the owner lets the passers-by supply their wants from it. Are we, therefore, to conclude that the total value of the water supply, *i. e.*, the value of the well, is nothing, and that the owner will view with indifference its filling up or drying away? A house may be regarded as rendering an immense number of services of shelter. Now, because a certain vacant chamber may be used as store-room or lumber-room, are we to conceive the total value of the house as merely its total power to shelter old clothes, out-of-style furniture and general household rubbish?

Let us apply another test. In an isolated market a hundred boxes of peaches are offered. The utility of a box at the common margin of consumption resulting from the competition of the buyers is one dollar. The total value of the entire stock of peaches is therefore held to be \$100. Now, total value is here a perfectly legitimate conception, seeing an outlay of \$100 will actually cause the peaches to change hands. But suppose that the peaches have changed hands. What will now be the total value? The marginal utility is still one dollar, but will total value be \$100? Evidently not. With the passage of the goods into the hands of the consumers the uniformity of value that characterizes the market disappears through the addition of unequal consumers' rents. The sum required to make the peaches change hands again is not \$100, but a sum large enough to exceed their total utility in consumption, say \$300. We can say that \$100 is still their total

value, but if that sum will not buy them, this conception is here evidently an abstraction, corresponding to nothing real. And if \$100 is still the total value of the peaches, what then shall we call this sum of \$300, which alone can effect an exchange of the peaches? If it be demurred that the peaches could be rebought for \$100 provided the consumers could replace them from other sources at the market price, I reply that this is in effect no sale at all, but a farcical exchange of peaches for peaches, which gives us merely the value of peaches in terms of peaches. So long as peaches are parted with not for peaches, but for unlike goods, consumers' valuations will be found very different from market value.

It appears then that, under our modern system of divided labor and production for sale, goods in the hands of the original producer, or any of the intermediaries that help to convey them to their destination in the final market, are valued not for their immediate usefulness, but for their power in exchange. They are esteemed not for their direct utility, but for their use in the market. But in the market it is irrefragably true that the valuation of the marginal unit determines the power in exchange of the entire lot. Although the seller may not submit his goods to the valuation of a particular market, nevertheless, as their only use to him is in exchange, he must value them by what he thinks they will fetch in some other market, or at some other time. So each seller values his goods by what they will bring, not in a particular market but in a normal market. Therefore, all goods *en route* to the consumer are valued at, and would be sold for, the value of the marginal unit in a normal market. For this stage in the history of goods, total value is a legitimate conception and has meaning.

But when goods are finally lodged in the hands of the consumer, the basis of valuation is changed. Formerly the valuation had reference to an external thing, viz., the market. Now, however, it strikes root in subjective experience. It relates not to power in exchange, but to use. Now, with the

supersession of market values by subjective values, the attempt to measure all value by the marginal unit becomes unscientific. And when the marginal good is no longer regulative that concept which makes total value the product of a quantity of goods by the value of the marginal unit, is no longer useful. However necessary elsewhere, it is in this field a mere abstraction, fit only to mislead. To make it the basis of any conclusion is to expose one's self to error and self-sophistication.

We have been showing that goods sold in isolated and temporary markets lose their uniform market values on passing into the hands of the consumers, and acquire a set of diverse subjective values. Now, as a matter of fact, the experience of real life does not seem to confirm this theory. There is no evidence of any sudden revolution of values when goods leave the final market. On the contrary, we find goods that have ended their career as merchantable commodities still valued at the market rate. And yet the doctrine of consumers' values given above must be true, seeing it rests on the theory of consumers' rent—a theory that has proved of greatest help in explaining the economic phenomena of real life. How are we to explain this paradox?

The supersession of market values by subjective values is delayed, or rather concealed, by the absence of one indispensable condition, viz., an "isolated market." With the appearance of permanent markets, with the flowing together of periodical demands into a steady and ever-renewed stream of demand, and the fusion of local and temporary supplies into a parallel stream of supply, the true subjective values do not come to light. The consumer can replace any good in his stock by purchase in the market at the market price. This circumstance obscures the great contrast between merchant's valuation and consumer's valuation. For if a quantity of commodity yielding a total utility of twenty can be readily replaced by parting with seven units of utility, its importance immediately ceases to be measured by its proper utility. As

the loss of it means only the cost of substitution, there is imputed to it the market value of its substitute. The possibility of unlimited resort to the market constitutes a connecting pipe, by which the value level of goods in the market is communicated to goods in the hands of the consumer. And as the growing extent, persistence, and accessibility of markets adds to the ease of replacement, the market valuation everywhere presses back and supplants private valuations until the whole field of wealth is overlaid by them. The web of imputed values hangs as a thick curtain before our eyes and hides from us the system of real values.

Never does the confusion of imputed values with real subjective values more fatally betray us than when we inquire the total value of the wealth of society. The line of inference is plausible. We see that in the presence of perennial markets the individual can always fill a gap in his stock by buying at the market price. The importance of a good to him is, therefore, not its positive utility but the value of its substitute, *i. e.*, market value. We see, moreover, that if the individual lose his whole stock of goods, he can replace at the current rate. Therefore the total value of the individual's stock is simply the product of quantity times the market value of a unit. As this can be proven true for each, it follows that the total value of each individual's possessions depends on the market rating. And as the total value of the wealth of society is simply the sum of the totals for individuals' possessions, it is inferred that it must likewise depend on the market value. And as market value is nothing more or less than the utility at the margin of social consumption, we reach Dr. Merriam's conclusion that "total value is equal to commodities measured by physical standards multiplied by the marginal utility of commodities. Commodities are the multiplicand, marginal utility is the multiplier." And once we poise our valuation of the wealth of society on the pivot offered by the utility of the marginal

unit there emerge of necessity the striking "paradoxes" of value—that maximum value does not coincide with greatest wealth, that total value may decline with growing abundance of goods, and that there is a point where the profusion of wealth is so great that value ceases altogether.*

There is an ancient and well-worn fallacy especially frequent in economic reasoning, which consists in assuming that what is true of one must be true of all. An individual observes that when he has twice as much money he is twice as well off; since what is true of each must be true of all, he infers that if the community had twice as much money it would be twice as well off. A pieceworker notices that an increase of diligence adds to his wages in like degree; on the same fallacious ground he reasons that if the working classes could double their efficiency they would double their income. An investor sees that his income from investments varies directly with his capital, and concludes that the advantage society reaps from capital varies directly with its amount. A landowner observes that his rent increases with the yield of his land, and infers that the share of the landlord class will increase with the productiveness of the soil. An individual producer finds his prosperity furthered by the exclusion of competing foreign goods, and arrives at the proposition that the prosperity of a society will be increased by the exclusion of all goods that compete with the products of any home producer.

* Suppose in a society in which "total value" has passed its maximum and reached steady down-grade a great corporation borrows for a fifty-year term a vast sum representing say more than one-third of the total value of all the wealth of society. Now suppose that, during this period, owing to unexampled progress, abundance and decline of marginal utilities "total value" shrinks to one-third of its former self. If value were interpreted as Dr. Merriam suggests the following paradoxical consequences would appear. First.—It would be impossible for the corporation to pay the debt even if it acquired and paid over to its creditors all the wealth extant. (2) With infinite industry for infinite time with infinite success it would be unable to produce enough value to cancel the debt. (3) With every step toward extinction the apparent weight of the remainder of the debt will increase until at last the difficulty of discharging the remaining portion will appear greater than the difficulty of discharging the debt if no part whatever had been paid. Can a doctrine so fruitful of paradoxes be sound?

Now in each of these cases the identification of the consequence to the individual with the consequence to society has proved a snare to the reasoner. A like fate awaits those who from the values imputed by individuals to their goods attempt to reach the value of the total wealth of society. The individual has the power of replacing his stock at the market rate, and it is therefore concluded that society can replace *its* stock at the same rate. And with equal ease of substitution market values must supplant subjective values as effectively in the valuation of social wealth as in the valuation of individual wealth. Now it is not at all true that society enjoys the same facility of substitution as does the individual: on the contrary society cannot substitute at all. Granted the individual can replace his stock at the market price, it does not follow that a considerable group of consumers can replace their stocks at the same price. The inevitable effect of a large reinforcement to current demand is a rise in market value and consequently a greater imputation of value to the goods in question. The sum of values of society's wealth taken group-wise would therefore be greater than when taken individually. Enlarge the group and the disturbance of market values in the process of substitution would be still more marked. Another rise in "total value" would take place showing conclusively the unsoundness of a method of valuation that reaches such different totals for the same body of wealth. Finally, suppose society as a whole to lose its stock of goods. In this case replacement is utterly out of the question. The goods in the markets embraced within society are of course swept away with the rest. Markets cease because there is nothing to exchange, and with them vanish all market valuations. Substitution being no longer possible there is an end to measuring the value of a good by the value of its substitute. No longer stamped with an alien utility each acquires an importance proportionate to the satisfaction that was dependent on it. The conventional valuations of the market give

way to the natural valuations of the consumer. The system of imputed values falls away and unmasks the true subjective values that express the significance of goods to their user or consumer.

The tyranny of the margin has been felt before this even in the valuation of a single species of wealth. Men have at times doubted if the fall of a penny per ounce in the London price of silver struck at once eighty millions from the value of the silver on the globe, and have marveled that a dispatch, a rumor or a committee report should be able in a day to restore this stupendous quantity of value. Men have wondered if the momentary and manipulated ups and downs of wheat, cotton, or copper, in the central ruling exchanges were to be carried back and applied to the world's stock of wheat, cotton, or copper. To do this were too much like reading the ocean's rise and fall in the swelling and sinking of the waves on the beach. But in none of these cases does the use of the margin as the standard of measurement result in such paradoxes and pseudo-conceptions as in the valuation of the wealth of society. It is the height of bad logic to ascertain the total value of society's stock by destroying in fancy successive portions of it and measuring the losses by the expense of replacing the first portion destroyed. The quest for true value requires a more unitary treatment. Just as in the case of the piano, the well, or the house, the value of a good representing a number of distinguishable services is related not to the marginal utility of these services but to their total utility, so the total value of the community's wealth rests not on marginal but on real utility, and is not distinguishable from the total sum of utilities. This conception alone is in harmony with the deliverances of common sense. Value in the sense of importance to well-being the wealth of society certainly has. And it is plain that the larger wealth, conditioning as it does the greater measure of well-being, has the greater, though perhaps not a proportionately greater,

value. Furthermore, it is clear that the millennial abundance that should permit all wants to be satisfied, would condition the greater measure of well-being, and therefore possess the greater value.

Recurring now to the diagram on page 90, it is evident that the total value of the original wealth of the community is measured not by Area $ABCE$, but by Area $ABCD$. Likewise at the close of ten years total value is not $AFHK$ but $AFHD$. If now the money of the community is to reflect or mirror total value, it must increase during the period of expansion in the ratio of $AFHD$ to $ABCD$, which is in effect to adopt the total utility standard instead of the marginal utility standard proposed by Dr. Merriam. Such is the conclusion from the general analysis of value.

Addressing ourselves now to the concrete question of fairness between debtor and creditor a like conclusion seems to emerge. Of course a standard just to all debtors and creditors is Utopian. The utmost we can hope for is one that shall do justice in the normal or average case. Now, such a standard is not attained when we compel prices to sink with marginal utilities. It is true that the money a debtor pays to his creditor *may* go to provide the latter with marginal utilities: it *may* be expended at the margin of consumption. But it *need* not be for there are other utilities. If marginal utility were all that a debtor could hope to place in command of his creditor, it would be just to bind prices to marginal utility, and to cause equal sums of money at all times to buy equal quantities of marginal utility. But, as a matter-of-fact, any particular sum is far more likely to be expended for intra-marginal utilities. The daily rejuvenation of the gaping clamorous brood of wants compels the creditor to provide for his necessity as well as for his comfort and enjoyment, to procure that which is necessary as well as that which is convenient merely or even superfluous. He cannot reach his margin of consumption until he has experienced a series of intra-marginal utilities.

A sane man receiving his year's income in five equal payments on the first day of January does not regard the fifth payment as available only for supplying him with utilities at his margin of use. Nor does he upbraid the fifth payer for returning less value than the others because, forsooth, that payment conditions only the slender utilities at the rim of his consumption. Likewise the payment of a debtor, though it but adds to a large assured income, should not be looked upon as expended solely for marginal utilities, but as devoted to procuring all sorts of utilities. All equal parts of a man's income must be held to contribute equally to their joint result, and a given portion must be esteemed not for its command over marginal utility but for its power to contribute to Total Utility. An example will make this clear. Suppose that for the average creditor an income of 100 units of commodity conditions a total utility of 1000. The importance then of a single unspecified unit will be ten. If now, added commodity increases total utility but slightly, so that an income of 120 conditions a total utility of only 1080, the importance of an unspecified unit will sink to nine. From this point of view a man who borrowed when incomes were 100 and restores the same quantity of commodity when incomes had risen to 120, may justly be accused of repaying less value. Yet this would be the nature of the transaction if the commodity standard prevailed and prices were not suffered to fall. The total utility standard on the other hand would require that the debtor return one and one-ninth units of commodity for every unit borrowed. Prices should, therefore, fall in just such measure as the power of an unspecified portion of goods to contribute to total utility has fallen. The relation of this to the third standard, will appear if we suppose that when incomes are 100 the marginal unit of goods adds eight units of utility while, when incomes are 120, it adds only two. According to the marginal utility standard the creditor should receive four times as much commodity as he lent. To realize this in money contracts would

require that prices fall to one-fourth of their former level. Such a requirement seems to me unsound in theory and unjust in practice.

The artificiality and arbitrariness of the marginal utility standard of value clearly appears in the statement of Dr. Merriam: "The permanent control of the same amount of value ensures that economically a man shall at all times be in the same position relatively to other men. This position will be kept, not in respect to social esteem merely, but in all respects." This view, that the creditor, if he is to receive the same value, must be kept in the same position relatively to other men, seems to imply that the sole importance of goods is to enable one to keep up with one's neighbors. Is this true to life? Regarding consumption in the midst of society, three notions are held. Some hold the individual and absolute satisfaction derived from goods to be everything; the social and relative importance to be nothing. The above-quoted statement implies that the social and relative is everything; the individual and absolute nothing. The best analysis of the facts shows, I believe, that the total well-being we derive from goods depends partly on the positive satisfaction experienced in use or consumption and partly on the social satisfactions that flow to us in consequence, the latter largely determined by the relation of our consumption to that of our neighbors. The fact that some "go in" for comfort and care nothing for "appearances," while others skimp in the household in order to be lavish in externals, shows the difference in estimate of these two elements of well-being. I, therefore, hold that, while due allowance must be made for the social aspect of consumption, we do not need to keep up a man's position relatively to other men in order that his control over value shall at all times be the same.

The result of the special analysis of value confirms the conclusion from the general analysis that *total utility*, and not "*total value*" based on *marginal utility*, is the scientific

standard to which money should conform in order to do justice as a standard of deferred payments.

It is manifest that this standard would justify for the community described in the earlier part of this paper, a larger volume of money and a higher range of prices than would be justified either by the labor standard or by the marginal utility standard. As the United States is a community characterized by industrial progress, the principles of value set forth in this paper, must prove decidedly more favorable to the bimetallists' contention and more repugnant to the gold standard than the conceptions and arguments that support the labor standard or the marginal utility standard.

EDWARD ALSWORTH ROSS.

Leland Stanford Jr. University.

BRIEFER COMMUNICATIONS.

AMERICAN ECONOMIC ASSOCIATION.

The American Economic Association held its Sixth Annual Meeting at Chicago, at the University of Chicago, September 11-14, 1893, in connection with the International Statistical Institute and the American Statistical Association. In view of this fact, the Economic Association announced but three sessions, at which the following program was to be carried out :

MONDAY, SEPTEMBER 11, 3 P. M.

Meeting of the Council of the American Economic Association.

TUESDAY, SEPTEMBER 12—EVENING SESSION, 8 P. M.

Annual Address, by Professor CHARLES F. DUNBAR, President of the Association.

WEDNESDAY, SEPTEMBER 13—MORNING SESSION, 10 A. M.

1. Paper on *The Value of Money*, by General FRANCIS A. WALKER.
2. Paper on *The Relation Between Interest and Profits*, by Professor ARTHUR T. HADLEY.
3. Paper on *The Scope of Political Economy*, by Professor S. N. PATTEN.

AFTERNOON SESSION, 3 P. M.

1. Paper on *The Genesis of Capital*, by Professor J. B. CLARK.
2. Paper on *The Wages-Fund at the Hands of the German Economists*, by Professor F. W. TAUSSIG.
3. Paper on *Marshall's Theory of Quasi-Rent*, by Professor E. R. A. SELIGMAN.

THURSDAY, SEPTEMBER 14, 8 P. M.

Meeting of the Council of the Association.

The session on Tuesday evening was omitted on account of the absence of Professor Dunbar through sickness. On Wednesday all of the papers were read except the one by Professor Seligman, which was presented by title. In the evening, a banquet was held at Kinsley's restaurant. At the meeting of the Council, the following officers were elected : President, Professor J. B. Clark, Smith College ; Vice-Presidents—Professor Simon N. Patten, University of Pennsylvania ; Professor Richard T. Ely, University of Wisconsin ; and Professor Richmond Mayo-Smith, Columbia College ; Secretary, Professor J. W. Jenks, Cornell University ; Treasurer, Mr. F. B. Hawley, New York. Publication Committee—Professor H. H. Powers, Smith College, chairman ; Professor Henry C. Adams, University of Michigan ; Professor F. W. Taussig, Harvard University ; Professor F. H. Giddings, Bryn Mawr College ; and Professor H. W. Farnam, Yale University. The following members of the Council whose term expired this year were

re-elected: Professor Lester F. Ward, Washington, D. C.; Professor H. B. Gardner, Brown University; Professor Richard T. Ely, University of Wisconsin; Professor E. J. James, University of Pennsylvania; Professor F. W. Taussig, Harvard University; Professor Jesse Macy, Iowa College; President C. K. Adams, University of Wisconsin; Dr. Albert Shaw, *Review of Reviews*; Professor Richmond Mayo-Smith, Columbia College; Mr. Worthington C. Ford, Treasury Department, Washington, D. C.; Professor F. H. Giddings, Bryn Mawr College; Rev. John G. Brooks, Brockton, Mass.; Rev. N. P. Gilman, Boston; Professor Henry W. Farnam, Yale University; Professor Henry Ferguson, Trinity College; Professor C. A. Tuttle, Amherst College; Professor George P. Garrison, University of Texas; Professor Roland P. Falkner, University of Pennsylvania. The following new members were elected to the Council: Mr. Horace White, New York; Dr. E. R. L. Gould, Johns Hopkins University; Dr. William Z. Ripley, Massachusetts Institute of Technology; Professor A. C. Miller, University of Chicago; Professor H. H. Powers, Smith College; Professor David Kinley, University of Illinois; Mr. N. O. Nelson, St. Louis, Mo.; Dr. Edward T. Devine, Philadelphia; Professor Charles H. Hull, Cornell University; Dr. Emory R. Johnson, University of Pennsylvania.

It was decided to hold the next meeting of the Association at Columbia College, New York, during the holiday season of 1894.*

INTERNATIONAL STATISTICAL INSTITUTE.

The International Statistical Institute held its Fifth Biennial Session in connection with the annual meeting of the American Statistical Association at Chicago, in the University of Chicago, September 11-16, 1893. The following was the program of the meeting:

MONDAY, SEPTEMBER 11—MORNING SESSION.

The chair will be taken at 11 a. m. by General FRANCIS A. WALKER, President-Adjoint.

Addresses welcoming the Institute, by President HARPER, University of Chicago; General F. A. WALKER, President American Statistical Association, and Professor CHARLES A. DUNBAR, President American Economic Association,

Responses by Professor EMILE LEVASSEUR, Vice-President of the Institute; Signor LUIGI BODIO, Director-General of the Royal Italian Statistical Bureau; A. E. BATEMAN, Esq., C. M. G., Principal of the Commercial Department of the English Board of Trade; Professor H. N. LASPEYRES, of the University of Giessen, and A. N. KIAER, Esq., Director of the Norwegian Royal Statistical Bureau.

Business of Organization.

* A list of those present at the meeting will be found on page 111.

AFTERNOON SESSION, 2.30 P. M.

Meetings of the standing committees.

TUESDAY, SEPTEMBER 12—MORNING SESSION, 9 A. M.

Commercial, Financial and Price Statistics.

1. A. E. BATEMAN, Esq., C. M. G., Principal of the Commercial Department of the Board of Trade, England. Report of the Committee on Foreign Commerce. *The Statistics of Trade.*
2. A. KIAER, Director of the Royal Norwegian Statistical Bureau. Report of the Committee on Maritime Navigation. *Tonnage Admeasurement.*
3. Dr. J. MANDELLO, Hungarian Ministry of Finance. *Currency Reform in Austria-Hungary.*
4. Professor F. W. TAUSSIG, Harvard University, *Results of Recent Investigations of Prices in the United States.*
5. Hon. WORTHINGTON C. FORD, Chief of the United States Bureau of Statistics, Treasury Department, *Reciprocity.*
6. M. L. MUHLEMAN, United States Sub-Treasury, New York, *The Character and Volume of the Money of the United States.*
7. CHARLES A. CONANT, New York Commercial Bulletin, *The National Bank Currency.*

AFTERNOON SESSION, 2.30 P. M.

Educational and Criminal Statistics:

8. Professor EMILE LEVASSEUR, Collège de France, Report of the Committee on Primary Education, *Comparative Statistics of Primary Education.*
9. Hon. W. T. HARRIS, United States Commissioner of Education, *Educational Statistics of the United States.*
10. Signor LUIGI BODIO, Director-General of the Royal Italian Statistical Bureau, Report of the *Comparative Nomenclature of Crimes and Misdemeanors.*
11. Dr. F. D. WINES, Special Agent United States Census, *Recent Statistics of Crime in the United States.*

THURSDAY, SEPTEMBER 14—MORNING SESSION, 9 A. M.

Agriculture, Railway and Labor Statistics:

12. Major P. J. CRAIGIE, Director of Statistics of the Board of Agriculture, England. Report of the Committee on Landed Property.
13. Hon. J. R. DODGE, Ex-Statistician of the United States Department of Agriculture, *The Cereal Products of the World, and Farm Mortgages in the United States.*
14. JOHN HYDE, Expert Special Agent in charge of the Statistics of Agriculture, United States Census, *Geographical Concentration, an Historical Feature of American Agriculture.*

15. Professor EMILE CHEYSSON, School of Political Science, Paris, France. Report of the Committee on Interior Transportation.

16. Professor HENRY C. ADAMS, Statistician to the Interstate Commerce Commission, *Some Results of American Railway Statistics*,

17. M. RIEBENACK, Assistant Comptroller Pennsylvania Railroad Company, *Railway Statistics as Applicable to the Earnings of Passenger Trains, with a View of Determining an Approximate Revenue, and Deciding as to the Number and Time of Trains to be Run for the Accommodation of the Public*.

18. C. P. LELAND, Auditor Lake Shore & Michigan Southern Railway Company, *Railway Freight Statistics and Their Value in Developing Freight Traffic*.

19. Hon. CARROLL D. WRIGHT, United States Commissioner of Labor, *The Course of Wages in the United States since 1840*.

20. Dr. E. R. L. GOULD, Statistical Expert, United States Department of Labor, *The Social Condition of Wage-Workers in the Textile Industries of England and America*.

AFTERNOON SESSION, 2.30 P. M.

Population Statistics :

21. Dr. JACQUES BERTILLON, Chief of the Municipal Statistics of Paris, France. (a) Report of the Committee on the Nomenclature of Occupations and Causes of Death. (b) Report of the Committee on European Census Statistics, *General Scheme for an International Census Schedule*.

22. Dr. JOSEPH KÖROSI, Chief of the Municipal Statistics of Budapest. Report of the Committee to Promote the Comparability of European Census Statistics, (a) *Population Standard*, (b) *Remarks on the Scheme for International Classifications of Occupations*.

23. VICTOR TURQUAN, Chief of the Bureau of Statistics, Ministry of Commerce and Industry, France, *The Statistics Relating to the Female Population of France*.

24. Professor D. R. DEWEY, Secretary of the American Statistical Association, *Statistics of Occupations in the United States*.

25. Professor RICHMOND MAYO-SMITH, Columbia College, *Statistical Data for the Study of Assimilation of Races and Nationalities in the United States*.

26. HENRY GANNETT, United States Geological Survey, *The Geographical Distribution of the Population of the United States*.

27. Dr. S. W. DIKE, Secretary of the National Divorce Reform League, *The Condition and Mode of Statistics of Marriage and Divorce in Europe and America*.

FRIDAY, SEPTEMBER 15—MORNING SESSION, 9 A. M.

Business Meetings:

Election of officers. Appointment of standing committees. Reports and Resolutions, etc.

AFTERNOON SESSION, 2.30 P. M.

Anthropometric Statistics:

28. Dr. E. M. HARTWELL, Director of Physical Training of the Boston Public Schools, *Preliminary Report on Anthropometry in the United States.*

29. Dr. F. BOAS, late of Clark University, *The Theory of Anthropometric Statistics.*

30. Professor EDWARD HITCHCOCK, SR., Amherst College, *Summary of Anthropometrical Studies in Relation to the Students of Amherst College.*

31. Dr. C. J. ENNEBUSKE, Principal Boston Normal School of Gymnastics, *An Anthropometrical Study of the Effects of the Gymnastic Training of American Women.*

32. Dr. WASHINGTON PORTER, *The Generalizing Method in Anthropometric Statistics.*

Professor Dunbar being absent on account of sickness, his address of welcome was omitted. In addition to those announced to speak at the opening session, Hon. Carroll D. Wright delivered an address of welcome in behalf of the United States Government. At Tuesday morning's session all the papers were read except those by Dr. Mandello and Mr. Ford, which were presented by title; Mr. Conant's paper was read by Dr. E. R. L. Gould. In the afternoon, Dr. Wines' paper was the only one not read in full.

There was no session on Wednesday on account of the meeting of the American Economic Association that day. On Thursday all of the papers were read by the authors, except the one by Professor Cheysson, for whom Professor H. C. Adams acted as substitute, the one by Professor Körosi, "Remarks on the Scheme for International Classifications of Occupations," read by Dr. Davis R. Dewey; Mr. Gannett's paper, which Dr. E. R. L. Gould read, and Dr. Dike's paper presented by Professor E. W. Bemis, and the following, which were read by title: Hon. J. R. Dodge's paper on "The Cereal Products of the World," Mr. John Hyde's paper, Dr. Gould's paper, and Dr. Körosi's report on a "Population Standard." At Friday afternoon's session, Dr. Hartwell and Dr. Boas read their papers in full; the others were read by title.

The rule which the Institute adopted was to allow one hour for the presentation of each report and the discussion to follow it, and fifteen minutes for the presentation of general papers.

On Friday morning the former officers were re-elected, as follows: President, Sir Rawson W. Rawson, London; Vice-presidents, Professor Emile Levasseur, Paris, and Professor Wilhelm Lexis, Göttingen; Secretary-General, Signor Luigi Bodio, Rome; Honorary Treasurer, J. B. Martin, Esq., London. The next meeting will be held in 1895, most likely at Brussels.

One of the most enjoyable events of the meeting was the reception tendered the delegates by the faculty of Northwestern University. Through the kindness of Mr. and Mrs. Potter Palmer it was held at their residence.

The following persons, in addition to those who took part in the programs, were registered as attending the sessions either of the Institute or of the Economic Association, or of both associations, members and invited guests of the Institute: Dr. Edward Atkinson, Boston; Professor W. O. Atwater, Smithsonian Institution; Professor Albert S. Bolles, Chief of the Pennsylvania Bureau of Industrial Statistics; Dr. Augusto Bosco, Rome; Mr. Horatio C. Burchard, ex-Director of the Mint; Professor Richard T. Ely, University of Wisconsin; Dr. Konrad E. R. Engel, Berlin; Dr. Adolph Ernst, Vienna; Weston Flint, Bureau of Education; Mr. Joseph Greenhut, Vienna; Professor Carl Johannes Fuchs, University of Greifswald; Mr. Frederick Hendriks, London; Mr. B. R. Lacy, Professor J. Lawrence Laughlin, University of Chicago; Professor Walther Lotz, University of Munich; Mr. L. G. Powers, Minnesota Commissioner of Labor Statistics; Dr. Phra Suriya, Royal Commissioner of Siam; Professor Isidor Singer, University of Vienna; Mr. W. M. Scott, Hon. Horace G. Wadlin, Massachusetts Commissioner of Statistics.

Members of the American Economic Association and of the American Statistical Association: Professor J. B. Clark, Amherst College; Dr. Charles H. Cooley, University of Michigan; Professor Edward Cummings, Harvard University; Professor Henry W. Farnam, Yale University; Professor Franklin H. Giddings, Bryn Mawr College; Professor John H. Gray, Northwestern University; Dr. D. I. Green, Johns Hopkins University; Dr. Edward M. Hartwell, Boston; Professor J. J. Halsey, Lake Forest University; Mr. F. B. Hawley, New York; Mr. George Henderson, University of Chicago; Professor Frederick C. Hicks, University of Missouri; Mr. William Hill, University of Chicago; Dr. Isaac A. Hourwich, University of Chicago; Mr. Osborne Howes; Professor Charles H. Hull, Cornell University; Mr. George Iles, New York; Professor Edmund J. James, University of Pennsylvania; Professor Jeremiah W. Jenks, Cornell University; Dr. Emory R. Johnson, University of Pennsylvania; Professor Simon N. Patten, University of Pennsylvania; Dr. William Z. Ripley, Massachusetts Institute of Technology;

Dr. Victor Rosewater, Columbia College; Professor Edward A. Ross, Leland Stanford Jr. University; Mr. H. R. Seager, Philadelphia; Professor E. R. A. Seligman, Columbia College; Professor F. M. Taylor, University of Michigan; Professor Graham Taylor, Hartford Theological Seminary; Dr. T. B. Veblen, University of Chicago; Mr. G. A. Weber; Dr. Max West, Minneapolis; Mr. Henry K. White, Mr. Edson L. Whitney, Professor Walter F. Wilcox, Cornell University.

THE PROPORTIONAL REPRESENTATION CONGRESS.

The Proportional Representation Congress, held under the auspices of the World's Congress Auxiliary of the World's Columbian Exposition, met in the Memorial Art Institute in Chicago, August 10, 11 and 12, 1893. The following was the program of the congress:

THURSDAY, AUGUST 10, 10 A. M.

Proportional Representation, by Professor JOHN R. COMMONS, of the University of Indiana.

Manhood vs. Property Representation, by Mr. JOHN T. WHITE, of Chicago.

FRIDAY, AUGUST 11, 10 A. M.

Ticino as an Object Lesson, by Mr. W. D. McCrackan, of Boston.

Effective Voting, by Miss CATHERINE H. SPENCE, of Adelaide, South Australia.

The Proxy System as a Means of Real Representation, by Dr. MONTAGUE R. LEVERSON, of Baltimore.

Solution of the Problem of Proportional Representation, by Lieut.-Col. T. CURRIE, of Versailles, France.

2 P. M.

Majority Myths, by Mr. ALFRED CRIDGE, of San Francisco.

The Gove System, by Mr. WM. H. GOVE, of Salem, Mass.

Proportional Voting in Caucus and Convention, by Dr. L. B. TUCKERMAN, of Cleveland.

SATURDAY, AUGUST 12, 10 A. M.

Referendum and Minority Representation, by Mr. W. D. McCrackan, of Boston.

Direct Legislation, by Mr. STOUGHTON COOLEY, of Chicago.

Of all the good things accomplished through the means of the Columbian Exposition, few, if any, are of more importance than the calling together of the friends of reform in representation. For more than a generation there have been advocates of proportional representation here and there in the United States, but they have never felt themselves able to effect any organization to promote their reform. That, under such circumstances and in the exceedingly

brief period of time available, there should be brought together so many advocates of proportional representation shows how deeply the reform has taken root.

It was the desire of those having the arrangements in charge that all phases of the subject might be presented, and that after mature deliberation an American League might be formed whose membership should embrace Canada and the United States. Indeed, it was barely hoped that sufficient attendance from abroad might warrant the formation of an international society; but the time was so brief that members of the foreign proportional representation societies could not be got together.

It was also hoped that the deliberations of the congress might result in such harmonious action that the new league could present to the public a single system for their consideration. In this there was partial disappointment, as the committee which drew up the declaration of principles was compelled finally to present two systems. All were agreed that some form of proportional representation was the cure for legislative ills, but many differed in matters of detail. And while it would have shown a greater unity of purpose had one plan been agreed upon, the presentation of two plans may the better harmonize with the various political opinions in different parts of the country.

John R. Commons, Professor of Social Science in the Indiana University, presented in his address proportional representation as a whole. "We are a law-abiding people," he said, "yet the laws are made by a minority of the people, and by an irresponsible oligarchy more dangerous than that our fathers revolted against. The Congress which passed the McKinley bill did not represent the people. There was a Republican majority of three, but according to the popular vote there should have been a Democratic majority of seven. In the succeeding Congress there was supposed to be the most momentous upheaval in the history of American politics. The Democrats had a majority of 119 over all. But had the people been represented this majority would have been only 39. In the present Congress the Democrats have a majority of 79, whereas they should be in a minority of 28; the people's party should have 31 instead of 8; and the Republicans 152 instead of 129. To call our Congress representative is the essence of sarcasm. The same is true of every other law-making body in the land. To mention only one State: Indiana elects thirteen Congressmen. According to the popular vote they should stand seven Democrats and six Republicans. According to the gerrymander there were eleven Democrats and only two Republicans. In other words, every Hoosier Democrat whom you meet has an

influence on the legislation of his country equal to that of five and two-fifths Hoosier Republicans." Professor Commons advocated the Swiss system of representation as a cure for the present misrepresentation. "Proportional representation would bring into legislative assemblies able and experienced men, the true leaders of their parties and the people. In the first place, it would secure all the advantages of the English and Canadian practice of non-residency. The area of choice is widened. Representatives would be selected from an entire State without reference to residence or district lines. A party leader like McKinley or Morrison could no longer be excluded from Congress because he happened to live in a district where his party had the minority, or where a gerrymander had shelved him. So long as his party could command a single quota of votes of the State he would be their repeated choice. He would not be at the mercy of party factions and spoilsmen which happened to hold the balance of power."

Mr. White, in his address on "Manhood vs. Property Representation," pointed out the tendency of Americans to value property more than persons. While in theory we based our representation on persons, in reality property was the thing represented. One of the most persistent of the objections urged against the adoption of proportional representation is that it destroys local representation. Now, what is local representation? What does the Congressman represent who is elected from a particular district? The people of that district might have preferred as their representative a man living in some other district, but they were not given the opportunity of choosing him. Instead of the citizens of the State being allowed to choose anybody they saw fit, the representatives were apportioned among them according to the geographical lines of the State. Instead of men and ideas, the Congressmen represented territory and property. The remedy lay in wiping out the district lines, and allowing the citizen to choose anybody he sees fit to represent him. Mr. White favored the Swiss method of applying proportional representation.

W. D. McCrackan, in his address on "Ticino as an Object Lesson," had the advantage of presenting a supposedly impracticable principle with an actual working example before him. The friction caused in the little Italian canton by the unequal representation of the two factions led to open revolt against the government, and the feeling aroused was only allayed by the adoption of proportional representation. The system introduced has worked so well that two other cantons have adopted it, and it seems on the eve of adoption by the whole Confederation. "The system is that of the Free List, with local variations. Each party establishes its list of candidates, which

must be officially certified. Each elector has as many votes as there are candidates to be elected. No cumulation of votes is permitted, but provision is made for marking preferences. In counting the ballots the judges are obliged to ascertain the number of votes cast for each party and for each candidate, as well as to determine the electoral quotient. Each party elects as many representatives as it has received electoral quotients. If there are places left over after this process they are assigned to the party having the largest vote."

Miss Catherine H. Spence, who has been an advocate of proportional representation in Australia since the first publication of Thomas Hare's method a generation ago, presented a slightly modified form of the original system. "Briefly, the single transferable vote may be thus described. The districts having been made large enough to return eight or ten members, the voter is allowed to vote for as many men as he would like to see in Parliament, but the vote only counts for one, and that the first man on his list who needs his vote and can use it. It is like the subscriber sending a list of six books to the circulating library by a messenger—he having only a right to a single book. He writes the names of the books in the order of his preference, and the first on the list which can be got the messenger brings. He does not expect more than one book, and in like manner, though the voter may have marked with the figures 1, 2, 3, 4, 5, 6, the six names of men he approves of on his voting paper, his vote only tells for one man." At the conclusion of Miss Spence's address a test ballot was taken, the audience voting for six out of fourteen names presented on a ticket. The result made a great impression upon all, especially upon the members of the press.

Dr. Montague R. Levenson, in his address, "The Proxy System as a Means of Real Representation," presented a method which he had embodied in a draft for a constitution for Colorado in 1875, but which he has now temporarily abandoned for a simpler form of proportional representation, on account of the necessity of a secret ballot. Briefly stated, the proxy system consists in making the whole country over into a political joint-stock company, in which each citizen has one share. The citizen may give his proxy to a representative who in Congress votes not his personal vote as at present, but the number of proxies he holds.

Mr. Alfred Cridge's address, "Majority Myths," was composed mainly of statistics showing how wholly inadequate the present system is as a means of attaining a government of the people. The address, when printed in full, will furnish valuable material for the use of reformers. Mr. Cridge advocates the Hare system of proportional representation.

Lieutenant-Colonel T. Currie sought to present in his address such a refinement of the list system that there would be no waste. One point is to fix, before election, the number of votes necessary to elect a representative, which makes the membership in the Legislature vary according to the total vote of different elections. He would further, to obviate the waste of votes in unfilled quotas, allow the voter a secondary choice in candidates in other districts than his own. Hence, if there be in two districts or more minorities insufficient when taken by themselves to fill a quota, and thus secure representation, they may when united accomplish their desire. The address contained a number of other new points.

Mr. William H. Gove presented to the congress the system which bears his own name, and which has become familiar to the people of Massachusetts. It is a combination of the Hare and the Swiss system. Lists are prepared as in the Swiss, but only one vote is given; and if the man voted for does not need the vote it is transferred to the man on the list whom he has specified before the election. This method has the merit of great simplicity, though it lacks the flexibility of the Swiss system. The Gove system was one of those presented by the congress for the consideration of the people.

Dr. L. B. Tuckerman presented two methods of selecting officers and committees in conventions and other meetings. These methods when published in detail will prove of great value. The Cleveland method of choosing committeemen has been in use for some time among the labor organizations of Cleveland, Ohio, and would be of incalculable value in Congress at Washington.

In presenting the subject of the initiative and referendum, Mr. W. D. McCrackan took the ground that representatives would not always be faithful to their trust. If a certain number of citizens could by petition compel the Legislature to submit a law for the popular approval of the voters, more exact legislation would follow. While giving all possible credit to proportional representation, he still thought that direct legislation of the people would be desirable. Stoughton Cooley took the ground that if a majority of the legislators represented a majority of the people, as they certainly would under proportional representation, the referendum would be superfluous. While the referendum might in some respects be more exact, the waste of time would more than neutralize the gain. Representative government is simply a division of political labor and has the same merit that the division of industrial labor has.

On Saturday the American Proportional Representation League was formed. The Hon. William Dudley Foulke, of Richmond, Ind., was chosen president. Stoughton Cooley, of 22 Fifth Avenue, Chicago,

was made secretary and treasurer. An executive committee composed of one member from each State and territory of the United States and province of Canada is provided for in the constitution, but the committee has not been completed as yet. Any person in the United States or Canada endorsing the declaration of principles may become a member. The dues are one dollar per year, and entitle the member to the publications of the society. A bulletin is to be issued as often as the funds will permit, probably once a month. The committee presented two bills embodying the principle of proportional representation, the Gove and the Swiss systems. There was no hostility to either, but it was thought best to offer both. The object of the society "is to promote the reform of legislative assemblies by abandoning the present system of electing single representatives from limited territorial districts by a majority or plurality vote, and by substituting the following :

- "1. All representatives shall be elected at large, on a general ticket, either without district divisions or in districts as large as practicable.
2. The election shall be in such form that the respective parties, or political groups, shall secure representation in proportion to the number of votes cast by them, respectively."

Chicago.

STOUGHTON COOLEY.

THE BETTERMENT CLAUSE OF THE LONDON IMPROVEMENT BILL.

It is of more than passing interest to the problem of municipal taxation to note the tendency which, considerably developed in America and in Germany, has recently re-asserted itself with marked force in the projected change of the system of municipal taxation in London.* It is the principle that the burden of taxation should be distributed amongst those elements of the community who derive palpable material advantages from municipal activity. As illusory in its effects, and as unjust in its application as this principle may become when carried into most fields of municipal activity, its justification in the domain of highway improvements is hardly to be questioned.

The act in question is known as "*An Act to Empower the London County Council to Make New Streets and Street Improvements, etc.*" (56 and 57 Vict. Session, 1893.)† The measure is based upon the principle that these improvements "will be effected out of public funds, charged over the whole country, and will or may increase in value or

* See the valuable essay of Dr. Victor Rosewater in *Columbia College Studies in Political Science* upon "Special Assessments; a Study in Municipal Finance."

† The history of this bill has been a peculiar one. Passed by the House of Commons, the Betterment Clause was thrown out by the Lords. Reconsidered in this form by the Lower House, the Betterment Clause was reinstated. A second time the House of Lords rejected it. The matter stands thus at present constituting a real grievance of the Lower against the Upper House.

benefit lands in the neighborhood of the improvements, which will not be acquired for the purpose thereof, and it is reasonable that provision should be made under which in respect or in consideration of such increased value or benefit a charge should be placed on such lands." It is then stipulated that all lands within the area of the "Limits of Deviation" shall be liable to have such an improvement charge placed upon them. For this purpose the London County Council is directed to undertake an assessment of the adjacent property wherein a statement of the amount which "In the opinion of the Council will be the enhanced value or benefit derived or to be derived" by such lands. Provision is then made for the hearing of objections of property owners to such assessments, in which case an arbitrator appointed by the Local Government Board, who has the power of amending such assessments and whose decision shall be final. The charge upon the lands thus subjected to assessment is to be "three per centum per annum upon one-half of the amount which, in the opinion of the Council, will be the enhanced value of the benefits derived or to be derived by the said lands from the improvements." The charges are to be paid by the freeholder of property.

Although this principle in its advanced form has been sanctioned only for the rebuilding of Vauxhall Bridge and the necessary rearrangement of adjacent streets, there can be no doubt that its acceptance for further highway improvements is assured, not merely for the purpose of defraying the costs of such improvements, but also to secure to the community at large at least a portion of the benefits which they, through their united action, have called into existence.

Philadelphia.

LEO. S. ROWE.

THE NATIONAL PRISON ASSOCIATION.

The National Prison Association meeting for 1893 was held in Chicago in connection with the National and International Conferences of Charities and Correction, so that only three separate sessions were held. The first, on the evening of June 7, was devoted entirely to memorial addresses in honor of its deceased president, Gen. R. B. Hayes, who for ten years past has been president of its annual meetings.

Gen. R. Brinkerhoff, vice-president of the Association, made the opening and leading address, and was followed by a number of brief testimonials from other members.

On the morning of the eighth, a session was held to receive and consider the report from the Committee upon Prison Discipline, by its chairman, Captain James W. Pope, Superintendent of the U. S. Military Prison at Fort Leavenworth.

The report deprecated the use of any form of corporal punishment, or other physical torture, and maintained that such punishments hindered, rather than helped, in the maintenance of prison discipline, and advised progressive classification under the working system, with deprivation of privileges, as altogether preferable. The report was fully discussed by prison officers present, and was approved by a large preponderance of opinion.

On the morning of the ninth, a session was held to hear a report upon the convict labor troubles in the Mining Camps of Tennessee, by Dr. P. D. Sims, the chairman of the State Board of Health of that State.

On Saturday, the tenth, an excursion was made by the Association to Joliet, to visit the State penitentiary at that place.

The Association then adjourned to allow its members to accept an invitation of the International Conference of Charities and Correction, to become a part of its section upon "The Prevention and Repression of Crime, and the Punishment and Reformation of Criminals," which commenced its sessions June 12 and continued until June 18.

The next annual meeting of the National Prison Association will be held at St. Paul, Minn., commencing June 16, 1894, and will continue five days.

Gen. R. Brinkerhoff, of Ohio, was elected to succeed Gen. Hayes as president, and Rev. John L. Milligan, Chaplain of the Penitentiary at Allegheny, Pa., was elected secretary.

The following are the chairmen of the several standing committees for the coming year: Mr. Eugene Smith, New York City, Criminal Law Reform; Mr. P. Crowley, San Francisco, Cal., Police Force in Cities; Mr. Henry Walfer, Stillwater, Minn., Prison Discipline; Mr. Wm. M. F. Round, New York City, Discharged Prisoners; Dr. Walter Lindley, Whittier, Cal., Preventive and Reformatory Work; Dr. H. D. Wey, Elmira, N. Y., Work of the Prison Physician.

The Annual Report of the Association will contain, not only the proceedings of 1893, but also papers upon prison topics, presented by its members before the National and International Conferences of Charities and Correction, and can be procured from the secretary.

Mansfield, O.

R. BRINKERHOFF.

PERSONAL NOTES.

AMERICA.

Boston.—The eminent historical writer, George Makepeace Towle, died on August 9 last. Mr. Towle was born at Washington, D. C., on August 27, 1841. He was a student at Yale from 1857 to 1861, receiving the degree of A. B. from that university. He then studied at the Harvard Law School, graduating in 1863 with the degree of LL. B. For the next two years he practiced law in Boston. In 1866 he became United States Consul at Nantes, France. In 1868 he resigned this position to become Consul at Bradford, England. While abroad Mr. Towle was occupied in studying the life, literature and politics of Great Britain and France, thus preparing himself for his future work as a lecturer and historian. He returned home in 1870 and became managing editor of the *Boston Commercial Bulletin*. A year later he resigned this position to become foreign editor of the *Boston Post*. He remained five years with this paper.

Mr. Towle was a constant contributor to all the leading magazines, writing at the same time a long series of works on political and biographical subjects, and translating also several French books. He was an invalid during the last two years of his life, but found time, nevertheless, to complete two volumes and get the third and final volume well under way of his—

"*Literature of the English Language.*"

His published works comprise :

"*Glimpses of History.*" Boston. 1865.

"*History of Henry V., King of England.*" New York. 1866.

"*American Society.*" (2 vols.) London. 1870.

"*The Eastern Question: Modern Greece.*" Boston. 1877.

"*Principalities of the Danube: Servia and Roumania.*" Boston. 1877.

"*Beaconsfield.*" New York. 1878.

Young Folks' Heroes of History Series; "*Vasco da Gama,*" "*Pizarro,*" "*Magellan,*" "*Marco Polo,*" "*Raleigh,*" "*Drake.*" (6 vols.) Boston. 1878-82.

"*Modern France 1851-79.*" New York. 1879.

"*Certain Men of Mark.*" 1880.

"*England and Russia in Asia.*" 1885.

"*England in Egypt.*" 1885.

"*Young People's History of England.*" 1886.

"*Young People's History of Ireland.*" 1887.

Bowdoin.—Mr. William MacDonald has been appointed Professor of History and Political Science at Bowdoin College. Professor MacDonald was born at Providence, R. I., in 1863. He attended the public schools of Newton, Mass., and devoted himself to the study of music at the New England Conservatory, Boston, where he graduated in 1884. From 1884 to 1890 he was Dean of the Department of Music in the University of Kansas. In the year 1890 he became a student of history and economics at Harvard, receiving the degree of A. B. in 1892. In the same year he was appointed Professor of History and Economics at the Worcester Polytechnic Institute.

University of California.—Professor Carl Copping Plehn* resigned on August 1 his position at Middlebury College, Vt., to accept an Assistant Professorship of History and Political Science at the University of California. Professor Plehn has recently published:

"*The Establishment of a Labor Bureau in Prussia.*" Publications of the American Statistical Association.

Chicago University.—Mr. William Caldwell, formerly Tutor in Political Economy at the University of Chicago, has been made Instructor in that subject. He was born November 1, 1863, at Edinburgh, Scotland, and obtained his early education at the public grammar school of that city. From 1881 to 1884 he attended the University of Edinburgh, receiving the degree of M. A. in 1884. He pursued post-graduate work at the same university from 1884 to 1887. In 1888 and 1889 he attended the summer semester at Heidelberg and Jena, and as Shaw Fellow was engaged in special research at Paris from April to October, 1889. The year 1889-90 he spent at Cambridge, England, and the following year at Berlin and Freiburg. The autumn term of 1887 he was Acting Professor of Philosophy at Cardiff, Wales, in the absence of Professor A. Seth, and at the same time was lecturer at Edinburgh on the University Education of Women. He was in 1889 appointed by the government, Examiner for the degrees in the Moral Sciences at the University of St. Andrews for the term 1889-94. In 1891 he was elected Instructor in Logic and Methodology at Cornell University, which position he resigned to go to Chicago. For seven years, 1886-93, Mr. Caldwell was a Fellow of the University of Edinburgh, including the Shaw Fellowship in the Moral Sciences, which is the most important fellowship in Scotland and open to the whole country. He is a member of the Philosophical Society of Edinburgh, in which he has held the offices of secretary, president and senior president. Mr. Caldwell is the author of several of the articles in "Chambers' Encyclopædia," and has contributed papers to *Mind*, *The International Journal of Ethics* and *The Philosophical Review*.

* See ANNALS. Vol. II, p. 846. May, 1892.

Mr. William Hill has been appointed Tutor in Political Economy at the University of Chicago. Mr. Hill was born at Bloomingdale, Park County, Ind., on May 31, 1865. He attended in his youth the Bloomingdale graded schools and the Friends' Bloomingdale Academy. In 1887 he entered Earlham College, but left next year for the Kansas State University from which he graduated with the degree of A. B. in 1890. He then entered Harvard University receiving the degree of A. B. again in 1891. The next two years he held the Henry Lee Memorial Fellowship at Harvard, acting as assistant to Professor Taussig, and receiving in 1892 the degree of A. M. Mr. Hill is a member of the American Economic Association. He has written :

"*Colonial Tariffs.*" Quarterly Journal of Economics. October, 1892.

Dr. Ferdinand Schwill has been appointed Tutor in History at the University of Chicago. He was born November 12, 1868, at Cincinnati, Ohio, and attended the public schools of that city before entering Yale University in 1885, where he graduated in 1889 with the degree of A. B. From 1890 to 1892 he studied abroad at the Universities of Munich and Freiburg, and received the degree of Doctor of Philosophy from the latter institution in 1892. During the following year he was Assistant in History at the University of Chicago.

Colgate University.—Professor George William Smith, formerly Associate Professor of History and Political Science at Colgate University, Hamilton, N. Y., has been elected professor of those subjects. Professor Smith was born at Waterville, Kennebec County, Me., on August 18, 1862. His early education was obtained from private teachers and at the Coburn Classical Institute of Waterville. In 1879 he entered Colby University and graduated with the degree of A. B. in 1883. He then attended the Albany Law School, receiving the degree of LL. B. in 1887. From 1890 to 1892, Professor Smith studied at the Johns Hopkins University. For one term he was Acting Professor of History at Bucknell University, Lewisburg, Pa. During the past year, 1892-93, he has been at Colgate University.

Cornell University.—Dr. Lucius Salisbury Merriam has been appointed Instructor in Political Economy at Cornell University. Dr. Merriam was born at Cicero, Onondaga County, N. Y., on January 20, 1867. His early education was obtained at the High School at Chattanooga, Tenn. In 1885 he entered Vanderbilt University, from which he graduated with the degree of B. S. in 1889. During the year 1889-90, Mr. Merriam held a fellowship at Vanderbilt, he then entered Johns Hopkins University, holding a fellowship in Political

Economy during the year 1892-93. Last June he received the degree of Ph. D. from that university. Dr. Merriam is a member of the American Economic Association. His published writings are :

"*Social Legislation in the United States in 1889 and 1890.*" *Economic Review*, April, 1891.

"*The Appointment of a Receiver for the City of Nashville in 1869.*" *American Law Review*, May-June, 1891.

"*The Theory of Final Utility in its Relation to Money and the Standard of Deferred Payments.*" *ANNALS OF THE AMERICAN ACADEMY*, January, 1893.

"*History of Higher Education in Tennessee.*" United States Bureau of Education.

Dartmouth.—Mr. David Colin Wells has been elected to the chair of Social Science at Dartmouth. Mr. Wells was born at Fayetteville, Onondaga County, N. Y., on September 23, 1858. His early education was obtained at Fayetteville Union School. From there he went to Phillips Academy at Andover, Mass., graduating in 1876. He then entered Yale University, from which he graduated with the degree of A. B. in 1880. From 1880 to 1882 he was first assistant in Classics at the Indianapolis Classical School. He then entered Union Seminary, New York. He remained there one year, and in 1883 entered Andover Seminary, from which he received the degree of B. D. in 1885. He continued at Andover the next year as an advanced student in Sociology. The following year, 1886-87, he spent in Germany. Upon his return to the United States in 1887 he was appointed Instructor in History at Phillips Academy at Andover. He held this position until 1890, when he became Professor of History and Political Economy at Bowdoin College, where he remained until he was appointed to his present chair at Dartmouth. Professor Wells has written articles for reviews, and, in particular, articles upon economic and sociological subjects for the *Andover Review*.

De Pauw University.—Mr. George Chambers Calvert has been appointed Instructor in History at De Pauw University. Mr. Calvert was born at Charleston, Coles County, Ill., on September 2, 1871. In his youth he attended the public schools of his native town. In 1890 he entered the Columbian University at Washington, but in the year following he entered De Pauw University, where he graduated with the degree of Ph. B. in 1893. Mr. Calvert is a member of the De Pauw Philological Society.

Hamilton College.—Mr. Delos De Wolf Smyth has been elected Associate Professor of History and Political and Social Science at Hamilton College, Clinton, N. Y. Professor Smyth was born at

Oswego, N. Y., on February 9, 1869. His early education was obtained at private schools at Clinton. From 1886 to 1890 he studied at Hamilton College, graduating in 1890 with the degree of A. B. The following year he studied in Germany at the University of Heidelberg, and the ensuing year at Harvard. In 1892 he was appointed Assistant Professor of Rhetoric and English Literature at Hamilton College. During the year he was transferred from the Department of English to the Department of History and Economics, to the faculty of which he has now been advanced. In June, 1893, he received the degree of A. M. from his *alma mater*.

Johns Hopkins University.—Dr. George Kriehn has been appointed Instructor in History at Johns Hopkins University. Dr. Kriehn was born on April 19, 1868, at Lexington, Lafayette County, Mo. He attended the public schools and the Wentworth Male Academy at Lexington, entering in 1883 William Jewell College at Liberty, Mo., from which he graduated in 1887 with the degree of A. B. He went abroad the same year and studied at Berlin from 1887 to 1889. The years 1889 to 1892 he spent at Freiburg, Berlin, Zurich and Strassburg, receiving the degree of Ph. D. from the University of Strassburg in 1892. During the past year he held a fellowship and was employed as an assistant in the Historical Department of Johns Hopkins University, delivering a short course of lectures to graduate students. Dr. Kriehn is a member of the American Historical Association and has published:

"English Rising in 1450," Strassburg, 1892.

Leland Stanford Jr. University.—Mr. Arley Bartholow Show has been elected Associate Professor of European History at Leland Stanford Jr. University. He was born in Marshall County, Ill., near Wenona, on August 10, 1856. He attended the public schools of Broadhead, Wis., and the preparatory school of Doane College, at Crete, Neb. In 1882 he graduated from Doane College with the degree of A. B. He then entered the Hartford (Conn.) Seminary, remaining one year when, in 1883, he entered Andover Theological Seminary. He received the degree of B. D. from Andover in 1885. For the two succeeding years he was pastor of the Congregational Church at Waco, Neb. In 1887 he was appointed Professor of History and English Literature at Doane College, which position he held until 1892, when he was appointed Assistant Professor of History at Leland Stanford Jr. University. The year 1892 he spent as a special student in history at Harvard. Professor Show is a member of the American Historical Society, American Economic Association, Nebraska State Historical Society, American Society of Church History and the

Nebraska Congregational Church History Society. He prepared a portion of the History of Higher Education in Nebraska for the series published by the Bureau of Education at Washington, which has not, however, yet appeared.

Mr. David Ellsworth Spencer has been elected Assistant Professor of History in Leland Stanford Jr. University. Mr. Spencer was born February 22, 1863, in Berlin, Green Lake County, Wis. He attended the State Normal School, Oshkosh, Wis., 1876-82, when he entered the State University, receiving the degree B. L. in 1887. Mr. Spencer was Instructor in Rhetoric at the University of Wisconsin, 1888-89, and Instructor in History, 1889-90. Mr. Spencer studied history a half year at Johns Hopkins, and two years at Harvard, 1890-92. In 1891 Harvard gave him an A. M., and during the year 1891-92 he was Assistant in History in that institution. The following year he was Acting Assistant Professor of History in the University of Michigan, which position he resigned to accept the call to Stanford. His published works comprise :

"*Local Government in Wisconsin.*" Pp. 10. Johns Hopkins Studies. Eighth series, 1890.

"*Higher Education in Wisconsin.*" Pp. 68. Bureau of Education, Circular of Information, No. 1, 1889.

Dr. Amos G. Warner,* on the first of last April, resigned the position of Superintendent of Charities for the District of Columbia, to accept that of Professor of Economics in the Leland Stanford Jr. University. Professor Warner's recent works are :

"*First and Second Reports of the Superintendent of Charities of the District of Columbia.*"

"*Charities and their Administration,*" (abstract of a course of ten lectures), Johns Hopkins Circular of Information.

"*The Evolution of Charities and Charitable Institutions,*" an address before the Brooklyn Ethical Association.

Massachusetts Institute of Technology.—Dr. William Z. Ripley has been elected Instructor in Political Science at the Massachusetts Institute of Technology. He was born October 13, 1867, at Medford, Mass. In his youth he attended the public schools at Newton, Mass., from which he entered, in 1886, the Massachusetts Institute of Technology, taking up the course in civil engineering. He graduated in 1890 with the degree of B. S. The following year he held a fellowship in Political Science at the Institute. Mr. Ripley then entered Columbia College, holding for two years a fellowship in Political Economy and receiving, in 1892, the degree of A. M., and in 1893 that of

* See ANNALS, Vol. II., p. 106, July, 1892.

Ph. D. In addition to his appointment at the Institute he has been appointed Lecturer in Physical Geography and Anthropology at the School of Political Science of Columbia College to succeed Dr. C. B. Spahr. Dr. Ripley is a member of the following scientific associations: American Statistical Association; New York Academy of Political Science; and American Economic Association, to the council of which he was elected in 1893. He has published:

"*The Financial History of Virginia, 1607-1776.*" Columbia College Studies in History, Economics and Public Law. Vol. IV., No. 1, Pp. 170. New York, 1893.

"*The Commercial Policy of Europe.*" Political Science Quarterly. December, 1892.

Dr Ripley is engaged at present upon the continuation of the History of Virginia, and expects to publish a volume bringing it down to date in the course of a year.

Ohio State University.—Mr. Wilbur Henry Siebert, formerly Assistant in History and Political Science at the Ohio State University at Columbus, has been appointed Assistant Professor of History in that institution. Professor Siebert was born in Columbus, Ohio, on August 30, 1866. His early education was obtained in the public schools of that city. In 1883 he entered the Ohio State University and graduated in 1888 with the degree of A. B. The next two years he studied at Harvard, receiving the degree of A. B. from that university in 1889, and the degree of A. M. in 1890. During 1890-91 he spent one semester at the University of Freiburg, and the summer semester of 1891 at the University of Berlin. In September, 1891, he accepted the position of Assistant in History and Political Science at Ohio University, which he has filled up to the present time. Professor Siebert is a member of the Harvard Historical Society and of the Ohio College Association. He is engaged on a work relating to the history of the "Underground Railroad" of ante-bellum days in the Northwest Territory.

University of Pennsylvania.—Dr. Emory R. Johnson* has been elected lecturer on Transportation in the College Department.

Dr. William Draper Lewis† has been elected lecturer on Legal Institutions in the College Department.

Trinity College.—Mr. John Spencer Bassett was recently appointed Professor of History at Trinity College, N. C. Mr. Bassett was born September 10, 1867, at Tarboro, Edgecomb County, N. C. His early education was obtained at the Goldsboro (N. C.) Graded and High Schools, and at the Davis School at La Grange, N. C. He then

* See ANNALS, Vol. iv, p. 306, September, 1893.

† See ANNALS, Vol. iii, p. 89, July, 1892.

entered Trinity College, receiving the degree of A. B. in 1888. From 1888 to 1890 he taught in the graded schools of Durham, N. C. The next year he filled the position of Assistant in English and History and Principal of the Preparatory Department in Trinity College. In the fall of 1891 he entered Johns Hopkins University, where he is now pursuing graduate work. For the ensuing year he holds the Historical Fellowship at that University. He has been granted one year's leave of absence and will not enter upon his duties this year.

He has written :

"*A North Carolina Monastery*," Magazine of American History, February, 1893, and has in preparation a monograph on "*The Constitutional Beginnings of North Carolina*," which will appear in the next series of Johns Hopkins University Publications.

Wheaton College.—Professor Elliot Whipple has been appointed to the newly established chair of Social Science, which includes also Political and Governmental Science, at Wheaton College, Wheaton, Ill. He was born on September 11, 1842, at St. Johnsbury, Caledonia County, Vt. His early education was obtained at the district public schools of Johnsbury and Columbia, N. H., and at the Colebrook and Oxford Academies of the same State. In 1860 he entered Dartmouth College, graduating with the degree of A. B. in 1864. In 1870 he received the degree of A. M. from Wheaton College. From 1864 to 1867 he taught in public and private schools in Massachusetts. In 1867 he was appointed tutor in Wheaton College, which position he occupied until 1870, when he was appointed Professor of Natural Science at that college. Two years later he became Professor of Mathematics at Westfield College, Ia. From 1873 to 1875 he was Principal of Bunker Hill Academy in Illinois. In 1875 he became Professor of Natural Science at Westfield College, and in 1877 Superintendent of Schools at Mishawaka, Ind.

Two years later, in 1879, he returned to New Hampshire as Principal of McGaw Normal Institute at Merrimack. He remained there for seven years, when he went to Santa Fé, New Mexico, to become Superintendent of the Ramona Indian School. In 1887 he returned to his former position as Professor of Natural Science at Wheaton College, which position he has lately resigned to accept the new chair to which he has been elected. Professor Whipple is a member of the National Teachers' Association and of the Illinois and the New Hampshire State Teachers' Associations, having served in 1877 as District Vice-President of the Illinois Association, and from 1880 to 1885 as Treasurer of the New Hampshire Association.

Wisconsin University.—Professor John Barber Parkinson, who formerly occupied the chair of Civil Polity and Political Economy at

the University of Wisconsin, has been elected Professor of Constitutional and International Law at that university. Professor Parkinson was born April 11, 1834, at Edwardsville, Madison Co., Ill. He attended public schools in Wisconsin and prepared for the University at Beloit College, Beloit, Wis. In 1856 he entered the University of Wisconsin, graduating in 1860 with the degree of A. B. Three years later he received the degree of A. M. from the same university. He held an Instructorship in the University of Wisconsin for one year immediately after graduation. He was then County Superintendent of Schools for two years, and for the three years following, 1863-66, was principal of an academy. In 1866 he was appointed a member of the Board of Regents of the University of Wisconsin, and was elected a professor in the same institution in 1867. In 1874 he resigned this position to engage in journalism. The next year, 1875-76, he was President of the Wisconsin State Board of Centennial Managers. He was re-elected in 1876 to the chair of Civil Polity and Political Economy at Wisconsin University, and in 1885 was made Vice-President of the University. Professor Parkinson is a charter member of the Wisconsin Academy of Arts, Sciences and Letters; a member, and for the last sixteen years a director, of the Wisconsin State Historical Society; and a member of the American Academy of Political and Social Science.

ENGLAND.

Owens College.—Mr. Alfred William Flux has been appointed Lecturer on Political Economy at Owens College, Manchester. He was born April 8, 1867, at Portsmouth, and had his early education in the Portsmouth Grammar School. He entered St. Johns College, Cambridge, in 1884, taking his degree of A. B. with mathematical honors (bracketed senior wrangler) in 1887. In 1889 he secured the "Marshall Prize" of the university for Political Economy, and in the same year was elected to a fellowship at St. Johns College. Mr. Flux has taken part in the University Extension movement and delivered several courses of lectures in this work.

Mr. Flux is Fellow of the Cambridge Philosophical Society and the Royal Statistical Society, and member of the British Economic Association and the London Mathematical Society. He has contributed several articles, among them one on "Diagrams," to the *Dictionary of Political Economy*, edited by Mr. R. H. Inglis Palgrave.

FRANCE.

Paris.—On September 13, M. Benoit Malon, the well-known socialist author, died at Paris. M. Malon was born near Saint-Étienne, Department of Loire, in 1841, and was the son of a farmer. His elder brother, who was teacher in the department, was his first instructor.

He was first a laborer and then a workman in a dye-house near Paris. In 1868 he became one of the founders of the *International* in the Seine, and as such was condemned to three months in prison. He then went to Italy and became a printer, and lived in turn in Como, Palermo, Lugano and Milan. Here he published many successful works. He taught himself Italian in the library at Milan, becoming thoroughly conversant with that language. M. Malon took a comparatively prominent part in Italian politics, working for the socialists and against the anarchists. After the general amnesty of 1880 he returned to France and founded the *Parti Ouvrier*. After two years he gave up active work as an agitator and devoted himself to his writings.

He was the author of the following works :

"*La Grève des Mineurs*" (a poem).

"*La Troisième défaite du prolétariat français.*"

"*Exposé des Ecoles socialistes françaises.*"

"*L'Internationale, son histoire et ses principes.*"

"*Histoire critique de l'Économie politique.*"

"*La Morale sociale.*"

"*Manuel d'Économie sociale.*"

"*Le Nouveau Parti.*" 2 vols.

"*Il Socialismo.*"

"*Questioni ardente.*"

"*Le Parti ouvrier en France.*"

"*Capital et Travail.*" (French translation of Lasalle's work.)

"*La Quintessence du socialisme.*" (French translation of Schäffle's work.)

"*Histoire de l'Agiotage.*" 1717-1880.

"*Constantin Pecqueur.*"

"*Le Socialisme-Réformiste.*"

Collection de la "*Revue Socialiste.*" 1re série. 1880.

"*Histoire du Socialisme.*" 5 vols.

"*Le Socialisme Intégral.*" 2 vols.

"*Précis historique, théorique et pratique de Socialisme.*" 1892.

This last work was the first number of a series of "*Lundis Socialistes.*" The second volume, on "*Doctrines, Actes et Faits,*" he was preparing at the time of his death. He was also at work on a third volume of "*Le Socialisme Intégral.*"

GERMANY.

Greifswald.—Professor C. J. Fuchs,* hitherto Extraordinary Professor of Economics, has been promoted to the rank of ordinary

* See ANNALS, Vol. i, p. 142, and Vol. ii, p. 109.

professor. Recent publications of Professor Fuchs not already noticed in the ANNALS include :

"*Getreidezölle mit gleitender Skala.*" Deutsches Wochenblatt, IV, 1891, No. 30.

"*Die sozialpolitische Bedeutung der neuen Handelsverträge.*" Sozialpolitisches Centralblatt, I, No. 1, 1892.

"*England und die Zuckerprämien.*" Deutsches Wochenblatt, V, 1892, Nos. 1 and 2.

"*Schutzzoll und Fair-Trade in England.*" Deutsches Wochenblatt, V, 1892, No. 8.

"*Politische und handelspolitische Einheitsbestrebungen im britischen Reich.*" Deutsches Wochenblatt, V, 1892, Nos. 15 and 16.

"*Der Fall Dankwardt und die preussische Agrarpolitik.*" Sozialpolitisches Centralblatt, I, 1892, No. 19.

"*Letter from Germany.*" British Economic Journal, 1892.

"*Die Handelspolitik Englands und seine Colonien in den letzten Jahrzehnten.*" Schriften des Vereins für Sozialpolitik, Vol. lvii, Leipzig, 1893. Pp. x, 358.

In addition to those previously mentioned,* the following students received the degree of Doctor of Philosophy for work in political and social science and allied subjects during the past year :

Columbia College.—Cortlandt Field Bishop, A. B., A. M., LL. B. Thesis : *History of Elections in the American Colleges.*

William Bondy, A. B., A. M., LL. B. Thesis : *The Separation of Governmental Powers.*

Isaac A. Hourwich, Thesis : *The Economics of the Russian Village.*

S. Whitney Dunscomb, A. B., A. M. Thesis : *Bankruptcy, A Study in Comparative Legislation.*

W. Z. Ripley, A. M. Thesis : *The Financial History of Virginia.*

Victor S. Rosewater, A. B., A. M. Thesis : *Special Assessments.*

Max West, A. M. Thesis : *The Inheritance Tax.*

De Pauw University.—Uichiro Sasamori, A. B., B. D. Thesis : *Philosophy of History.*

University of Pennsylvania.—Edward T. Devine, A. M. Thesis : *Economics. Elementary Presentation of the Newer Theories of Production and Consumption.*

Emory R. Johnson, B. L. Thesis : *Inland Waterways : Their Relation to Transportation.*

Ellis Paxson Oberholtzer, Ph. B. Thesis : *The Referendum in America.*

* ANNALS, September, 1893, Vol. iv., p. 312.

In addition to those previously mentioned,* the following appointments to fellowships and post-graduate scholarships have been made for the year 1893-94:

Columbia College.—*Seligman Fellowships in Political Science*, R. M. Breckenridge, A. M., and J. E. O'Brien, A. B.; *University Fellowship in Comparative Jurisprudence*, J. A. McLean, A. B., A. M.; *in Economics*, Francis Walker, B. S., A. M.; *in Finance*, G. H. Batchelor, A. M.; *in Finance and History*, C. E. Chadsey, A. M.; *in History*, L. G. Bugbee, A. M., and N. R. Shepherd, A. B.; *in Social Science*, H. C. Emery, A. M., and W. J. Hannah, A. M.

University of Pennsylvania.—*Wharton School Fellows*, G. M. Fisk, A. B.; David Mandel, Jr., Ph. B.; Lyman P. Powell, A. B., Benjamin F. Shambaugh, B. L., and John L. Stewart, Ph. B.; *Fellowship in American History*, Clarence Stanley McIntire, Ph. B.

* ANNALS, September, 1893, Vol. iv., p. 314.

BOOK DEPARTMENT.

EDITED BY

ROLAND P. FALKNER and EMORY R. JOHNSON,

WITH THE CO-OPERATION OF

Charles F. A. Currier,	<i>Mass. Inst. of Technology.</i>
Winthrop M. Daniels,	<i>Princeton University.</i>
John H. Gray,	<i>Northwestern University.</i>
David Kinley,	<i>University of Illinois.</i>
H. H. Powers,	<i>Smith College</i>

REVIEWS.

American Marine. The Shipping Question in History and Politics. By WILLIAM W. BATES. Pp. 479. Boston and New York. Houghton, Mifflin & Co., 1893.

Any book that will set the American people to pondering on the loss of their commercial power on the high seas is deserving of welcome. Mr. Bates has written such a book and it is a pity that he has unnecessarily marred its effectiveness by a vehemence of statement that often puts his facts and logic under suspicion. He was evidently wrought up when he began to write the book, and the more he wrote about the indignities put upon American shipping, the more his indignation grew. Yet, despite his vehemence, sometimes descending to puerilities, despite repetitions, omissions and lack of orderly arrangement, his book is the fullest and best treatise upon its important subject that has been published. It is a protectionist's argument for protection by subsidy and bounty to American ship-building and ship-owning, and that fact is so patent that the argument will have, it may be feared, less than its proper weight with many readers. A clear, cool statement of the facts that the author had at his command, without any denunciation of stupid statesmen and wicked foreigners, would have stirred the indignation of any reader, whether free trader or protectionist, and so accomplished the result which Mr. Bates has evidently aimed at. Inasmuch as the work by David A. Wells on the same subject, published in 1882, although lucid, compact and well ordered, is mainly an advocate's plea for free trade, vitiated by undisguised contempt for any form of subvention, it is evident that the book on American shipping to which the impartial student can refer with confidence has yet to be written.

The value of Mr. Bates' book is at the same time one of its weaknesses, namely : its attention to details. He has treated American

shipping from all points of view, excepting the purely objective or scientific, and has crowded his pages with facts, quotations and statistical tables. Hence, although the reader may at times lose his points of compass, there is in the book the necessary material for an intelligent judgment. Mr. Bates is a practical expert in his subject. He was commissioner of navigation under President Harrison, and says that for fifty years he has been "a student of ships and navigation." He begins by discussing the importance to a nation of a prosperous marine. He then gives twenty pages to the evolution of British maritime power and 100 pages to a sketch of the shipping of the United States from 1789 to 1892. These are the important parts of the book, all that follows being iterative or explanatory. The decline of the American marine, he contends, was due primarily and principally to the change from the protective to the free-shipping policy in 1815. Prior to that year carriage in American bottoms had been encouraged by partial rebate of duties on their freight. The act of 1815, which lifted all burdens from British vessels in American ports, was passed, according to Mr. Bates, solely to please England and gain a treaty of peace with her. In the similar acts of 1817, 1824 and 1828 he finds the successful culmination of the British conspiracy to drive the Yankee flag from the seas. He has, however, a great respect for the American ship-builder and sailor, and seems to admit that but for other aids the British conspiracy might have failed, for he devotes considerable space to explaining how the British Lloyd's Register Society, by its discriminations against wooden and American bottoms, compelled merchants either to patronize British ships or to send their cargoes to sea uninsured. He denounces vigorously the bonded warehouse act of 1846 as virtually an extension of credit to foreigners to enable them more quickly to annihilate an American industry. England's policy of subvention, under which the Cunarders received from \$400,000 to \$800,000 a year, beginning with 1839, paralyzed competition, although the success of the Collins line, which received from the American Government an equal subsidy from 1850 till 1858, demonstrated that the policy might have been effectively employed in retaliation. The continued decline of our shipping interests since 1860, during a period of high protective tariff, Mr. Bates accounts for simply on the ground that those interests were not sheltered under the wing of protection. All the other industries of the country were safe against the assaults of British capital and labor; the ship-owner alone was defenceless. Mr. Bates brings to the support of his views an abundance of facts and figures, many of which an opponent cannot lightly put aside as irrelevant or coincident. A reply to his book, if there is to be a reply, ought to come from a protectionist

rather than from a free-trader like Mr. Wells, for Mr. Bates and Mr. Wells, while agreeing often in their conclusions, start out from different premises, and argument between them would be quite futile. A believer in protection for American industries will meet Mr. Bates on common ground, and he alone, if anyone, can show why that protection, which has been accorded capital employed on the land, should not have been given with equal generosity to capital on the sea.

It is to be regretted that Mr. Bates does not make more prominent the petty and abominable abuses and annoyances for which the blundering Acts of Congress are responsible. For instance, restrictions as to residence are imposed upon a native American who owns a vessel; under some circumstances American ships are subject to tonnage taxes from which foreign vessels are exempt; and if an American vessel once falls into a foreigner's possession, whether by sale or capture in war, it can never again be bought back and fly the American flag. Such burdens upon ship-owning cannot be regarded as minor, and there are enough of them to make the business of foreign commerce most vexatious and usually unprofitable.

In the concluding chapters Mr. Bates discusses the various remedies that have been proposed. He advocates the establishment of a department of commerce at Washington, independent of the treasury department, and defends the defeated bounty or tonnage bill of 1890, as being the best measure now practicable.

JOSEPH FRENCH JOHNSON.

University of Pennsylvania.

The Growth of English Industry and Commerce in Modern Times.

By W. CUNNINGHAM, D. D. Pp. 771. Cambridge: University Press, 1892.

[A sequel to "The Growth of English Industry and Commerce in the Early and Middle Ages," by the same author, 1890.]

There are few men deserving of more honor than he who makes the first practicable road through a new country. It is this task which Professor Cunningham, in the volume under review, has completed for the still only partially explored country of English economic history. Much had been done in the investigation and elucidation of certain periods and certain aspects of that subject by various writers, and Thorold Rogers in his great work had heaped up materials for the study of one of its most important sides during five centuries; but a continuous narrative of the whole course of English economic development from the earliest time to the present has now been given us for the first time. Especially in any field of history is the accomplishment of this particular kind of work of the greatest value for later

students. Until a general survey of the field has been made, all study must be more or less unhistorical. An investigation of the agrarian system of the Anglo-Saxons, or of the English in the fourteenth century, or in the eighteenth, is not history. The origin and growth of industrial and agricultural systems, their decay, with its causes and results, the reaction of economic changes on the broader social development, the march of economic ideas, and their influence, these alone are to be considered as economic history in its highest sense. The parts can then be safely re-examined and restated and still retain their character as history, when once the whole has been completely, even if in some parts inadequately, or mistakenly told. The value of Professor Cunningham's work would therefore have been very great if it had been even of moderate erudition, whereas his learning is broad and deep, and much of this second volume is an absolutely new contribution to our knowledge of the subject. The limitations in carrying out such a large plan in the present state of progress in the subject are of course considerable. Many difficult problems had to be left unsolved, and many obscure places still unexplored. The Saxon period is given less space and attention than one would have expected, the treatment of the guilds is certainly very inadequate, the discussion of the agrarian changes of the Tudor period is even more so. Generally speaking Professor Cunningham's elucidation of commerce and economic doctrine is fuller and stronger than that of manufacturing industry, agriculture and land-holding. The Middle Ages is also better understood, in spite of its lack of material, than many movements in modern times.

Of course many of these fields are confessedly lying still practically unstudied, awaiting the investigation of future students. The knowledge and labor of no one man is able to clear them all up. It is a matter of satisfaction that the continued work of such men as Cunningham, Seeböhm, Maitland, Ashley, Vinogradoff, Gross, Andrews and others, bids fair to do much toward filling in the details of the picture during the same generation as that in which its main outlines were sketched.

Yet our fundamental criticism of Professor Cunningham's work is not on the question of its adequacy, but on that of its method of arrangement. He says, "since the growth of industry and commerce is so directly dependent on the framework of society at any one time, it may be most convenient to take periods which are marked out by political and social, rather than by economic changes." He then proceeds, from the Norman conquest onward, to follow the outline of the salient points of English constitutional development. It seems to us that two serious evils result from this placing of political above

economic influences, first, a frequent confusion of cause and effect, and secondly, a false judgment of the economic importance of certain periods. It is possibly true that the constitutional organs of central government which were brought into force under the first Edward were influential in creating a "national economy," but the general character of the next period, 1377 to 1485, was on the author's own showing the result for the most part of purely economic causes and of their reaction on political conditions. Again, in the Tudor period, which were the controlling forces, the economic or the political? The whole force of the absolute government of Henry VII., Henry VIII., and the Protector was opposed to the enclosures and other changes in land-holding of that time, and yet almost without effect. The changes continued and ran their course. Indeed, it was the growing wealth of England, the rise of the middle class, and the separation of classes which made possible the Tudor despotism, and the new position which England was able to take in European affairs. Moreover, political and economic periods can seldom be made co-terminous without distortion of facts. The beginning of Elizabeth's reign was a distinct crisis in political history, but economically speaking, during the first half of that reign the changes of the preceding century were still proceeding, while its latter part was much more closely connected with the Stuart period that follows.

Again, this classification obscures the fact that some periods are of far greater economic importance than others. The changes of the Middle Ages were slow. With the exception of the turbulent fourteenth century, conditions remained remarkably stationary down to the middle of the fifteenth century. The century or more succeeding was a period of rapid fundamental change, until something like equilibrium was reached. Another long period of comparative stability then extended to the last quarter of the eighteenth century. Yet Professor Cunningham gives less than two hundred pages to the period of rapid economic change from 1397 to 1558, while he gives more than four hundred pages to the comparatively barren century and a half of Elizabeth and the Stuarts. The result is that individual experiments in manufacturing and commerce, local, temporary, and comparatively insignificant movements, in such a period as the latter, are treated as if of the same importance as the enclosures of the fifteenth and the nineteenth century, or the changes in the gilds of the sixteenth.

Economic conditions would seem to have passed through a development of their own, largely independent of, though of course not unconnected, with other national forces. Kept stable by the perpetuity of the manorial organization in the country, and that of the gilds in the towns, we have the strong corporate character of mediæval life.

With the decay of this organization in the fifteenth and sixteenth centuries, began the rapid growth of individualism, a tendency which was, so to speak, checked half way, and restrained for another century and a half by the strong state policy of Elizabeth and her successors. Then in the latter part of last century, with the introduction of the factory system and other new elements, began a new growth of individualism, reinforced now by the teachings of a powerful economic and political school, a movement which only in recent decades seems to be meeting a distinct reaction. Some such thread as this, to be found in the relation of economic phenomena themselves, will alone prove to be permanently satisfactory in tracing the development of English economic history. But after all, this is only a minor criticism to make of such a work. We do not understand that the author feels that the last word has been spoken on any part of his subject, and the continuity, the learning, the good judgment, and the fair-mindedness of the book will make it more and more necessary to readers and later writers as a basis and a model for their own work.

University of Pennsylvania.

E. P. CHEYNEY.

History of Federal Government in Greece and Italy. By EDWARD A. FREEMAN. Edited by J. B. BURY. Second edition. Pp. xlviii, 692. London: Macmillan & Co., 1893.

The first and only volume of Freeman's "History of Federal Government" has long since established a permanent place for itself, so that an extended review, one commensurate with the priceless value of the work, need not be given to the present reprint, which includes, however, an additional chapter on Federalism in Italy and a fragment on Germany. The editor has made no change in the text, except to correct obvious errors; a revision of the references to authorities and an appendix of twenty pages are his main contributions. This single volume is complete in itself; the first two chapters are a masterful discussion of the general principles of Federalism, while the body of the work will probably always remain the standard history of the Greek confederations; in some matters of detail Freeman's conclusions have already been somewhat modified, and they will doubtless be still further affected in the future; but there is less likelihood that the work as a whole will suffer materially. Like Gibbon's "Roman Empire," Freeman's "Federal Government in Greece" seems assured an exceptionally permanent value. That Freeman was not a political prophet is evident; that he could not, in the preparation of his first two chapters, have had the example of a Federal monarchy, Germany, to add to the completeness of his survey,

is unfortunate. What is ever to be lamented is that he did not live to write the second portion of the work, for which, as for the first, he was so peculiarly qualified, the history of six hundred years of Swiss confederation.

C. F. A. C.

Massachusetts Institute of Technology.

La Beneficenza Romana dagli antichi tempi fino ad oggi: Studio storico critico dell' avvocato QUIRINO QUERINI. Opera insignita del primo premio nel concorso speciale all' Esposizione di Palermo. Pp. 500 with tables. Roma. 1892.

This work will prove to be of no little interest and value to foreign students interested in the general subject of public charity in Rome, for it contains the results of long and patient historical investigation of countless documents which the foreign student will not find easily accessible. The author has long occupied himself with historical studies in this field and has made several other contributions to its literature. His most recent work is, however, his best. It deals solely with Roman charities and is historical and critical and takes little direct part in the controversy that is waged in Italy around the Reform Law of 1890, regulating the public charities of the whole kingdom. Nor does the great question respecting the relation of the Catholic church to the public charities come in for as much treatment as we should like to see. Perhaps the author prefers to let the facts of the past speak for themselves to him who will interpret them. We believe, however, that the author's Catholic instincts and sympathies have led him to take for granted, or even to justify, a condition of affairs that is the outcome of the past, but which to one not accustomed to that mode of thinking is suggestive of grave problems which the present Italian government must solve in a radical and decided manner if it does not wish to give over all forms of charity into private hands.

Querini's work in the introductory part or "*parte generale*," discusses the forms of charity among primitive peoples and such questions as the origin of misery, and then makes a detailed examination of the laws, and the motives underlying them, that existed for the relief of poverty among the ancient Egyptians, the Israelites, Hindoos, Chinese, Persians and Greeks.

The first part of the book proper then commences with a discussion of charity among the ancient Romans. Here Querini finds that poverty increased rapidly in proportion as manual labor was held to be dishonorable, as agricultural pursuits declined and standing armies increased. He treats with much breadth of view and accurate

research, the corresponding growth of the multifarious social, political and legal institutions and customs for the prevention and amelioration of poverty. The laws of hospitality and those concerning the treatment of slaves were influenced by and in turn influenced the condition of the poor, but all positive legislation, such as the food laws, and in the times of the republic and the empire, the gratuitous distribution of food to certain classes, was prompted solely by fear and the desire on the part of the rulers to maintain an equilibrium among different classes and to prevent rebellion. The humane motive was of slow growth that gave rise to hospitals, to public medicinal aid, to care for the insane and for orphans. Indeed, it did not secure much hold on public legislation until Christianity had become the ruling power.

Part second is entitled "Christianity and the Middle Ages," and deals with the growth of organized charity under their combined influence. It is but natural to expect the *direct* influence of the Christian Church upon all forms of public relief to be greatest during the middle ages, when she so completely guided and controlled temporal affairs as was the case in Rome.

Querini, with admirable clearness, wealth of illustration and warmth of interest, discusses such questions as the principles taught by the apostles, their application by the church, the cardinal doctrine of the universal brotherhood of man, the introduction of church collections, the funds of which were administered by seven deacons, who were to know and look after the poor connected with each church, the foundation of asylums for travelers (termed by Querini the principal form of charity in Italy, and especially in Rome, that may be said to be typically ecclesiastical) the growth of the Church's wealth and its use, the special gifts of emperors and sovereigns to church funds, the part played by the monks and by monastic orders in relieving the material wants of the poor, and, finally, the special gifts of the popes to charitable purposes from their private wealth and from jubilee festivities. Throughout the middle ages Roman charity is characterized by papal initiative and monastic co-operation, with the result that it attained great dimensions, but was often of doubtful expediency as to method, for in the end it engendered a feeling of reliance on the church for material aid.

Part third treats of the modern era, and goes into the history of the foundation of each separate institution and the policy of the successive popes with great detail and chronological precision, bringing it down to 1870. As an historical record this will prove valuable, but it is less important as a discussion of principles and tendencies. Too little space is devoted to the period since 1870, with the policy of which the author is less in sympathy, but within which time some of the most

difficult problems have arisen. In his criticism of the law of 1890 governing existing charities, we fail to find the same liberal spirit that characterized the earlier pages, and where legitimate defects are pointed out there is little offered by way of remedy. The failings of the book consist in too strict adherence to historical details and too little appreciation of the relative importance of many single problems and tendencies that have run through the whole history of Roman charities, and have made its results either meagre or of doubtful value.

An appendix of about fifty pages added after the award of the Palermo prize is by no means devoid of interest. It treats of private institutions of charity in Rome in recent years; special charitable works among the Jews, who at one time formed an important part of the population of Rome, with many institutions of their own; and the beneficiary and mutual aid associations of Rome. A great amount of statistical information respecting the different institutions is given in the tables to be found at the end of the book.

Vienna.

S. M. LINDSAY.

Protezionismo Americano, Saggi Storici di Politica Commerciale.

Per UGO RABBENO. Pp. xxiv, 512. Milano: 1893, Fratelli Dumolard.

One of the characteristic features of recent Italian economic literature has been the interest evinced in following the trend of economic thought through different periods and in different countries. It is the scientific awakening which is attracting the attention of economists in all parts of the world, and which bids fair to lead up to a period of independent thought, using the material which is now being collected as a sub-structure upon which to build. In such men as Loria, Ricca-Salerno and Graziani we find the beginnings of this movement.

The work just published by Professor Rabbeno belongs rather to the former type. In a series of three essays, embracing fourteen chapters, he follows the commercial policy of the American Colonies and of the United States, both in their commercial legislation and in the history of commercial theories from the time of Hamilton down to the theories of Patten.

The first essay is devoted entirely to the commercial policy of Great Britain in her North American Colonies. The events leading to the Navigation Acts, the policy of Cromwell, of Charles II., and the circumstances leading to the rupture with the mother country, are duly considered. In the second chapter the genesis of the British commercial policy in the North American Colonies is treated. In this connection the theories of the Mercantile School are reviewed and traced in their modifications and in the liberal reaction which followed them through Adam Smith and Ricardo. In the third

chapter of the first essay the effects of England's policy upon the North American Colonies, the condition of their industries, as well as that of the mother country, are examined in detail.

The subject of the second essay is the elements of the commercial policy of the United States. The first chapter embraces the period from the Declaration of Independence to the adoption of the Constitution, and treats of the genesis of the idea of protection. In the second chapter, devoted to the tariff of 1789, the author carefully considers the question of the character of this measure, coming to the conclusion that it was merely a tariff for revenue, because of the primitive condition of manufactures and means of transportation. The modifications of the act of 1789 form the subject of the third chapter. Into this period the report of Hamilton on manufactures falls, and marks a decided progress of protectionist ideas. In the three subsequent chapters the tariff history of the United States, from 1807 to the McKinley Bill, is followed step by step. The essay concludes with a chapter contrasting the periods of protection and relative free trade.

In the third essay the author takes up the theory of protection, tracing it in the writings of its principal scientific expositors. In the first chapter the ideas of Alexander Hamilton are carefully summarized. His position relative to Adam Smith, to List, and to Carey is clearly defined. The same method is employed with List and Carey, whose theories are so well known and understood as to make the main merit of the author his clearness of exposition rather than any originality of treatment. In the fourth chapter of the third essay, and the concluding chapter of the book, the author has given himself much pains to place before the Italian public for the first time in Italian economic literature, a résumé of the theories as developed in the various writings of Professor Patten. For this attempt the scientific as well as the lay public owe a debt of gratitude to Professor Rabbeno, though many reservations must be made both as to method of treatment and completeness of presentation. It would, perhaps, be asking too much of a foreigner at the present time to expect a thorough and adequate appreciation of the exact position occupied by Professor Patten, and, what is more important, of the relation of the different parts of his economic system. To select from any author only those theories pertaining to a particular subject is, at its best, a somewhat delicate proceeding, which, however, becomes thoroughly unsatisfactory when applied to works of the type of those by Patten. The result has been as was to be expected. Those of Patten's theories either leading to, or bearing directly on, the subject of protection, have been taken out of their intimate connection with the remainder of his system. The impression

left upon the reader is that of a series of more or less novel theories, which do not, by any manner of means, represent a new economy. Had Professor Rabbeno, instead of attempting to undermine the originality of the author through a search for the elements of his theories in the writings of such men as List and Carey, devoted this valuable space to a more complete presentation of the immediate subject in hand, the value of his book would have been greatly enhanced.

In considering the relation of these three economists to one another Professor Rabbeno has failed to appreciate fully the nature of the premises upon which their systems have been built. That List and Carey had certain points of contact in their theories, is perfectly natural and the explanation is to be found in their environment. When we come to compare them with Patten it is necessary to do something more than to show a seeming analogy in their conclusions. Between Patten and Carey there is very little sympathy of doctrine. Their starting point is different and when correctly interpreted their conclusions lead to very different economic polity. In one sense Patten is much more in sympathy with List than with Carey. They are both national economists, in a sense in which Carey never was. But the one fundamental fact distinguishing Carey and List from Patten is their conception of the relation of American conditions to those of older European countries. Both List and Carey exploit to its fullest extent the "infant industry" argument, claiming that being a young and undeveloped country protection is necessary to bring us to the level of the countries of the Old World. Patten's position is diametrically opposed to this. His works clearly show that he does not consider America a nation existing under primitive conditions, in the sense of Carey and List. On the contrary, it is because of our more advanced dynamic state that he considers protection from the static influences of foreign countries necessary. Thus with List and Carey protection means the development of an "infant" country to the standard of its more aged contemporaries, with Patten it means a preservation and continual strengthening of those dynamic forces which are elements of progress and are found under particularly favorable conditions in a country with the resources of the United States.

The author distinctly states that it is not possible for him to give in the short space of a chapter a summary of all the theories of Patten, but this fact only goes to prove that he did not fully recognize the intimate connection between the theory of consumption and distribution as developed by Professor Patten. Professor Rabbeno first develops Patten's theory of consumption and from it, leads up to the theory of protection as outlined by him for a dynamic

society. Before examining the inadequacy of this presentation it may be well to correct a misunderstanding under which Professor Rabbeno labors. He attacks the method employed by Patten, accusing it of being deductive to such a degree as to lose sight of the actual world around us. Any single one of his works, even taking the most deductive, as for instance his "Theory of Dynamic Economics" should be sufficient proof to the contrary. When, however, the whole range of works is carefully examined there is no longer room for doubt. One of their most characteristic features is a deviation from the deductive methods of the Austrian school, to a more inductive examination of economic phenomena. The fact that the theory of value is neither starting-point nor goal of his system should have immediately convinced Professor Rabbeno of his error. All of Patten's theories, but more especially that of consumption to which the author calls special attention, are based on observation. It is true that upon this inductive basis he makes free use of deduction, but this should not obscure his starting-point. At times Patten evinces a certain impatience with the Austrian analysis of the elements of value and of the relation of value to cost, and devotes himself to a problem which concerns itself more directly with actual economic conditions, that is, with the theory of prosperity, the conditions of a progressive society, the effects of distribution on national well being, etc. Nothing is therefore, more misleading than Professor Rabbeno's charge "*that Patten too often limits himself to researches of a subjective nature, which lead him to that abuse of deduction, into that labyrinth of fruitless abstractions, so characteristic of the 'Austrian School.'*" Professor Rabbeno does not seem to have recognized that the new political economy brings with it a reaction against mere logical analysis—that it is no longer satisfied with the unsatisfactory division of the science as found in the works of the classical economists, but that, striving for a more organic treatment of economic phenomena, it arrives at the principles underlying economic progress, without losing itself in the minute analysis of the elements of production, which fails sufficiently to appreciate and analyze the relation of these elements *one to another*, and which relegates to a subordinate position the consideration of their relation *to economic progress*. Cannan in his recent work upon the "History of the Theories of Production and Distribution" has admirably developed this thought. To appreciate Patten's work, even in connection with his theory of protection, it is necessary to constantly keep in mind his relation to the economists of the earlier portion of this century. The change in point of view is then clearly seen and shows in what way these theories are becoming parts of a new economy.

In having failed to fully appreciate this, Professor Rabbeno has allowed a rare opportunity of doing a real service to Italian economics slip by.

We have confined ourselves for the most part to this last chapter, as it represents the part most interesting to American readers. It would have led us somewhat too far into the consideration of the subject of method to have discussed the author's opinions regarding the Austrian school. He expresses himself very strongly upon this point and hardly does them justice. What defects there are in the book are, for the most part, to be found in the last chapter. The remainder of the book shows careful research and deep study and will be an invaluable aid to Italian students of commercial policy.

Philadelphia.

L. S. ROWE.

The Principles of Ethics. By HERBERT SPENCER. Vols. I., II. Pp. 572, 465. New York: D. Appleton & Co., 1893.

Even the most strenuous opponents of the Spencerian system of philosophy cannot help joining with the friends and adherents of Mr. Spencer in congratulating him on his completion of the final volumes of his great life work, the "Synthetic Philosophy." He has attained this result in spite of persistent ill health and greatly advanced age, and, while one feels that there is not that fullness of illustration and solidity of treatment so characteristic of his earlier volumes, due to the fear lest he should not be able to finish his work, yet one does not perceive any falling off in Mr. Spencer's marvelous power for keen, rigid and comprehensive analysis of the complex relationships of social life. It is fortunate for evolutionary ethics, and for science generally, that Mr. Spencer has given a final and an authoritative exposition of his views on the economic, political and social problems now so prominent.

These volumes are made up of parts issued at different times. With the exception of the now famous "Data of Ethics," 1879, the parts (II) "Inductions of Ethics," (III) "The Ethics of Individual Life," (IV) "Justice," and (V) "Negative and (VI) Positive Beneficence," have all been published since 1891. Volume II treats of Justice and Beneficence.

The sum and substance of Mr. Spencer's discussion of the ethics of social life consist in elaborately setting forth the conditions prerequisite to a harmonious and progressive social life. Examining inductively, as well as reasoning deductively, concerning the conditions of existence in the whole animate world, then among ancient and present primitive races, and finally among civilized peoples, he finds the one absolute condition of the ideal social state, wherein perfect

justice prevails, to be the fulfillment of the great law (first enunciated by him in 1850) of equal freedom, that "every man is free to do that which he wills, provided he infringes not the equal freedom of any other man." This is the central idea of the Spencerian system of political and social ethics. It is the major premise from which follow Mr. Spencer's well-known and generally disputed deductions respecting the rights and duties of the individual and the limited sphere of governmental action and predominance.

Having established this ultimate and absolute dictum of justice Mr. Spencer deduces the several corollaries thence derived. They are set forth in their logical sequence in the chapters on "The Right to Physical Integrity," "Free Motion and Locomotion," "Uses of the Natural Media," "Property," "Incorporeal Property," "Gift and Bequest," "Free Exchange and Free Contract," "Free Industry," "Free Belief and Worship." The maintenance and protection of these "rights" become the sole function of "the State," the nature, constitution and duties of which he next proceeds to discuss.

"The end to be achieved by the society in its corporate capacity, that is, by the State, is the welfare of its units." The State is simply and solely the agent or instrumentality of a community or people for "preventing interferences with the carrying on of individual lives;" and "the ethical warrant for [State] coercion does not manifestly go beyond what is needful for preventing them." If governments assume other duties than those of maintaining justice and equal freedom for all by arrogating to themselves industrial, educational and other functions, it is violating the very law of equal freedom which alone gives its existence an ethical warrant.

It will doubtless be a surprise to many writers to learn what comprehensive words justice and equity are in Mr. Spencer's mind. He justifies and encourages legislation which makes railroads responsible for injuries sustained by their employes. Quarantine and sanitary inspection laws he would have. The State care and municipal supervision of our public roads meets with his approval. Inheritance taxes have an ethical justification. He would have the State protect individuals free of expense, not only from foreign foes and criminals, but from offenders classed as civil. Thus he utters his wonted vigorous protest against the "miserable *laissez faire* which calmly looks on while men ruin themselves in trying to enforce by law their equitable claims," and at the same time allows governments to supply them "at other men's cost with *gratis* novel reading."

The publication of the divisions on Negative and Positive Beneficence should dissipate the charges usually preferred against Mr. Spencer and his philosophy that there is no heart in him, that he has

no generous consideration for the strugglings and sufferings of humanity, for in these closing parts he points out how the ethical progress of the race is retarded if altruistic actions be not constantly dwelt upon and practiced by all. The beneficent and maleficent effects, both immediate and remote, of man's actions upon himself and fellowmen are treated in a manner at once philosophical and inspiring. His chapter on "Relief of the Poor," contains some timely warnings; and those on political and social beneficence inculcate man's duties to his fellows in no uncertain language. Even though one holds views opposed to Mr. Spencer's, the careful reading of these two masterly volumes must needs make one regard with profound admiration this fearless mariner who has so long opposed the hostile waves of public opinion.

Philadelphia.

FRANK I. HERRIOTT.

Our Indian Protectorate, An Introduction to the Study of the Relations between the British Government and its Indian Feudatories. By CHARLES LEWIS TUPPER. London and New York: Longmans, Green & Co., 1893.

So little is known in the United States concerning the government of India, its history or its present working, that we welcome with pleasure a new work on the subject. The average knowledge of even our educated classes, concerning what we may well call one of the noblest monuments of Anglo-Saxon genius—the organization of India—is indeed indistinct. We believe that the general impression in this country of English rule in India is that it is oppressive and bad. Such an impression only shows our ignorance of the subject, an ignorance which a perusal of the present work will go far to dispel.

Mr. Tupper writes as one thoroughly familiar with the subject with which he deals. This very familiarity, and the fact that he confined himself to the Protectorate in India, renders his work in no sense an elementary treatise. One unfamiliar with the English government, or the main facts of Indian history, must read the text carefully if he would carry away correct ideas. The Indian Protectorate is that part of the territory of the Indian Empire under the rule of native princes, whose authority is upheld by the British government, but over whose acts the English government exercises more or less direct control. According to the official return in 1886, there are 629 of these Feudatory States in India, with a total area of 638,672 square miles, and a population of 65,000,000 of people, or over one-fourth of the entire population of the Empire. The work is a discussion of the relations between these feudatories and the English government, including an historical outline of how these relations were brought

about, with a view to determining the proper general principles to be applied by the Indian government in its dealings with the native governments of the protected States. Mr. Tupper, therefore, has nothing to do with the government of that part of India which is under the exclusive administration of English officials. Neither does he treat of those governments, such as Afghanistan, whose relations to the British government are those of semi-independent powers. The States, with which he deals, are those, which, while having local autonomy under native princes, are strictly dependent on the English government, having no political relations with foreign powers or with each other.

The history of the growth of these protected States is told in an entertaining manner by the author. As we have before pointed out, Mr. Tupper starts with the assumption that a general knowledge of Indian history is possessed by his readers. His own efforts, therefore, are confined to reviewing the important points of that history from a purely political-administrative standpoint. There is no more entertaining, and to Americans no more instructive, chapter than that which describes the annexation of the province of Oudh as a result of the misgovernment of the native prince. The rule of this potentate, Wájid Ali Shah, was upheld by British authority. The vivid picture of the horrible debauchery of the native government of India, and the misery of the people under their own rulers, will here be found graphically depicted, and in the picture we must see the justification of English rule. The history of Oudh is also instructive from the fact that the deposition of the Wájid Ali was the first distinct recognition by the English government, that in upholding the rule of a native prince, they became responsible to the people of the province to protect them from gross misrule, on his part. If such misrule is incurable, as in the case of Oudh, their duty is to depose the local sovereign and rule the country directly by English agents.

To those who are familiar with Indian history, it will be of interest to learn that Mr. Tupper is entirely in accord with the present policy of the Indian government in perpetuating through the Senad the local rule of the native princes over the different principalities of the Protectorate. In other words, that he believes the Protectorate should remain a Protectorate, and not be incorporated into the territory ruled directly by the Indian government. We may say, in explanation, that the Senad is a compact between the Indian government and the native prince, that if his own family dies out, which is very likely to be the case, owing to the barrenness of the women of the higher classes, that he will then be permitted to adopt an heir and thus perpetuate the native rule and

prevent the administration lapsing into the hands of the English. He also, while a strong federalist, approves of the movement toward local autonomy, which is taking place throughout India. The most valuable part of his work, however, is that which impresses upon Englishmen, from whom his readers will be mainly drawn, that while the native princes may be upheld in their government, the English owe a great responsibility to India. This responsibility is that the government of the dependency whether by English agents or native princes should conduce to the welfare and peace and happiness of the natives, and that misrule on the part of the native prince, is no more to be tolerated than the misrule on the part of the British agent.

We recommend Mr. Tupper's work to all those who desire to understand something of the problems with which the members of our race on the other side of the world have to deal, and something of the great work they have accomplished.

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WM. DRAPER LEWIS.

Outlines of Economics. By RICHARD T. ELY, Ph. D. Pp. xii, 432. New York: Hunt & Eaton; Cincinnati: Cranston & Curts. 1893.

The teacher has a perennial interest in the improvement of economic textbooks. Most teachers feel that the books in use at present neither give due emphasis to the different portions of economic theory, nor succeed in arousing that interest which the great problems of the science ought to awaken. The public still has a lingering antipathy to economic science as a result of the controversies of the political economists of the early part of this century; thus all interested in the progress of the science must welcome every endeavor so to restate economic doctrines as to extend their influence to new classes of people.

Dr. Ely's book is the first systematic attempt to present economics in the form which it has been given under the influence of German thought by the recent work of American economists. The ideas of the English school are clearly stated in the books of numerous authors; but, though most teachers still use these excellent manuals to start their classes, each instructor is compelled to supplement the class work by presenting important doctrines not even hinted at in the textbook. Such a method as this must obviously be unsatisfactory, except in the larger universities where the instruction is well differentiated and the students have access to good libraries.

The progress of the science is well indicated by the improvements in the present, as compared with the earlier, edition of Dr. Ely's book.

The last few years have brought many changes in the tone of American economics, and the new edition shows that Dr. Ely has kept abreast with the times. This change is clearly indicated in the divisions of the book. The first part contains a historical introduction; the second relates to private economics, and the third to public economics. This division is logical and enables the student to enter the whole field of economic discussion. The changes in the first part are the most important of the book. In the first edition, Dr. Ely strove to give his book a sociological cast. The tone of the present work is different. In the place of a general talk about the place and possibilities of sociology he has given an account of social progress from the standpoint of economic history. Sociology may be the great science of the future, but a textbook will do much more good by giving definite treatment to economic history than by making brief remarks concerning sociological laws.

The most original part of the book is the one on public economics. In these topics, Dr. Ely is at his best, and the discussion has all that freshness and force which characterize so many of his writings. Teachers owe a debt of gratitude to him for embodying these topics in a textbook, and for the happy way in which he discusses them.

I cannot regard the part on private economics as on a level with the two other portions of the book. Exception ought, however, to be made of the section on the transfer of goods, where the new ideas on value are happily introduced and clearly presented. The section on distribution is too inductive and descriptive to convey a clear idea of the subject. The relation between the different parts of income is not clearly brought out, and there is an absence of that definite concept of distribution which makes so valuable the works of President Walker. These defects are due, for the most part, to the spirit of progress which shapes Dr. Ely's thought. He has left the old standpoint of economics, as represented by the classical school, and has not yet acquired a new theory of distribution in harmony with the concept of the science which he now holds. A transitional stage necessarily lacks the clearness of the old position.

In my opinion, Dr. Ely will not be able to raise that portion of his book dealing with private economics to the level of the other parts of his treatise, without making consumption the basis of his discussion. Even now, his standpoint is plainly that of consumption; but his discussion of utilities and of the standard of life is so widely diffused through the whole volume, and is mixed in with so much other matter, that the force of the argument is lost. His section on consumption is not rightly named. It should be called an analysis of expenditure—an important problem, but one distinct from the theory of consumption.

The lack of a theory of consumption also causes Dr. Ely to neglect the theoretical basis of monopolies. The inductive side in the treatment of monopolies is clearly presented in the discussion of public economics, and comes out also in the discussion of economic history; but in his theory of private economics he has not definitely enough broken away from the static economy of the past to enable him to find the ultimate causes of monopolies, and thus properly to correlate the different parts of his book.

Notwithstanding these defects, Dr. Ely's book is a most valuable one. I see in it many indications of the form and content of the future textbook. It is certainly much better than any treatise with which it can fairly be compared. If he has not reached the goal, it is due more to the present transitional state of the science than to defects of presentation.

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NOTES.

A RECENT WORK*, by M. Charles Borgeaud, gives a statement of the way in which the constitutions of nearly all the countries of Europe and America have come into being, as well as the provisions for their amendment. The Central and South American States are properly given but a few pages, and the group designated as the Latin and Scandinavian is treated with considerable brevity; to the German States, the United States of America, France and Switzerland, about three-fourths of the book are assigned. There is a large amount of useful and generally accurate information, but the discussion of principles pertains chiefly to superficial rather than to the less obvious and more far-reaching considerations. M. Borgeaud has furnished us with a valuable storehouse of facts, and it is therefore all the more to be regretted that these facts are not made easily accessible by an index. If the author, instead of confining himself to written constitutions, had included a study of the most important political system of all, the English, he would not have implied that it is only in France, Switzerland and the United States that one may study the evolution of modern popular government. In a word, this will be found a convenient book of reference, but it does not contribute much to the subject of political philosophy.

ECONOMICS and certain phases of history have become, in the hands of the most recent writers, a science closely related to philosophy, ethics and psychology, and a study of the latter branches has become essential to the best work in the former. Those economists and historians who are teachers of their sciences have a double reason for studying the mental and moral sciences. At present there is a copious literature concerning Herbartian pedagogy being published, and whether or not one accept the conclusions of that school of thought, one can hardly fail to get helpful suggestions from it. Professor Rein, of Jena, last year wrote the "Outlines of Pedagogics,"† an English translation of which has just appeared. The first third of the work, which is devoted to Practical Pedagogics, has little value for the American reader; but the second part, dealing with the (a) Aim

* *Établissement et Revision des Constitutions en Amérique et en Europe.* Par CHARLES BORGEAUD. Pp. vi., 423. Paris: Thorin, 1893.

† *Outlines of Pedagogics*, by W. REIN, Director of the Pedagogical Seminary at the University of Jena. Translated by C. C. and IDA J. VAN LIEW, with additional notes by the former. Pp. xii, 199. London: Swan Sonnenschein & Co. 1893.

of Education—Teleology—and (b) the Means of Education—Methodology—give a brief but satisfactory outline of a system of pedagogy based on Herbartian principles. The apperception theory, which occupies such an important place in Herbartianism, is comprehensively set forth in the work by Professor Lange on Apperception,* just recently made accessible to English readers by a translation edited by President Charles De Garmo, of Swarthmore College.

THE LARGE AMOUNT of scholarly work in economic and social history that has been produced in recent years throws into still greater relief the shortcomings of such a work as Garnier's "History of the English Landed Interest."† Although in his preface the author refers to Vinogradoff, Maitland and Ashley, he seems to have obtained but little advantage from their results and none from their methods. His book is bulky, uncritical and badly arranged. For the student it is, of course, of no value; for the general reader it might have been interesting if a certain brightness of style had not been nullified by its confusedness and repetition. A great deal of interesting and valuable information about rural life at various periods is scattered through the book, but it is so scattered that no reader can obtain or retain any one clear picture in his mind. There is undoubtedly a field waiting to be occupied by a social historian of England who is neither so detailed nor so erudite in his writing as those who have written so far; but his work must be the product of much more thought, care, labor and knowledge than this gives any evidence of.

TO DESCRIBE clearly and impartially the condition of the colored race to-day is not an easy task. Mr. Ingle‡ has gone to work in the right way by selecting a circumscribed field, and pursuing facts rather than theories, leaving the final generalizations from the whole area to be made at a later time. Mr. Ingle begins by describing the composition of the colored population of the District at the time of the abolition of slavery in 1862, and its subsequent increase in numbers. He then traces the history of the efforts to improve their condition by giving them education, civil and social equality with

* *Apperception; A Monograph on Psychology and Pedagogy*, by DR. KARL LANGE. Translated by members of the Herbart Club, edited by CHARLES DE GARMO. Pp. ix, 279. Boston: D. C. Heath & Co. 1893.

† *History of the English Landed Interest*, by R. M. GARNIER, B. A., A. M. Pp. xviii, 406. London: Swan Sonnenschein & Co. New York: Macmillan & Co., 1892.

‡ *The Negro in the District of Columbia*. By EDWARD INGLE, A. B. Pp. 110. Johns Hopkins Studies in Historical and Political Science, Eleventh Series, Nos. III-IV. Baltimore, 1893.

the whites, and the right of suffrage. The chapter on education is perhaps the one best grounded on certain information, that on social equality the most suggestive, that on the suffrage the most instructive. It is interesting to note (p. 44) that the color-line is less prominent in labor organizations than elsewhere. The story of the misgovernment of Washington since the war is a sadly familiar tale, but as presented here it seems to epitomize the absurdities of the American municipal system as controlled by the boss and the illiterate voter.

Mr. Ingle's investigations seem to show that the benefits from the schools are largely neutralized by the degraded home life which surrounds the children, that the attempt to force a social equality is ill-advised and has been abandoned by the wisest of the negroes, that negro suffrage was a failure in the District, and that the hope of the race lies in the cultivation of the spirit of unity and race pride. While these conclusions are not so optimistic as one might wish, we believe that they correspond to the impressions received in other parts of the country by those who have seen much of the life of the colored people, even though the observer feel a greater sympathy than Mr. Ingle with some of the efforts made to relieve their condition.

THE ATTENTION bestowed upon the administration of Berlin within recent years by students of municipal institutions, has been productive of a new work* by a student of local government, who endeavors to give to the English-speaking public a short sketch of the organization and operation of the various municipal departments of that city. The book is written in a popular strain and gives a brief statement of the work done in the different fields of municipal activity. Mr. Pollard's book is a collection of articles previously published in the *Scotsman*, and for this reason is not a satisfactory treatment of the questions discussed. In the nine chapters treating of (a) Municipal Departments; (b) Water and Gas; (c) Sanitation, Drainage and Street Cleaning; (d) Domestic Sanitation and Meat Inspection; (e) Public Hospitals and Convalescent Homes; (f) Administration for Relief of the Poor; (g) Education and the Common Schools; (h) Public Works, Free Library and the Fire Brigade; (i) Police, Treasury and Powers of Corporation, he has sketched the various branches of municipal activity, but has failed to give us the skeleton upon which these various departments are built. The book, therefore, fails to fill the gap so long existing in the literature of

* "A Study in Municipal Government: The Corporation of Berlin." By JAMES POLLARD, C. A., Chairman of the Edinburgh Public Health Committee and Secretary of the Edinburgh Chamber of Commerce. London: Blackwood & Sons, 1893.

municipal institutions, although it will serve as a starting point for subsequent efforts.

IN A short article* of some seventeen pages, Professor Hodder endeavors to give us a brief bibliography of municipal government in the United States. Confining himself to the recent publications upon the subject, which as regards American cities is very complete, the list will undoubtedly prove of much value to those interested in a general way in the problems of municipal government. To the advanced student, however, especially if he be interested in the history of municipal institutions this bibliography will hardly fill the void so long existing in our institutional literature, *i. e.*, a classified list of legislative documents pertaining to the government of cities. Then, again, such an important and representative city, as regards municipal reforms, as Brooklyn has been almost entirely neglected. It is also to be hoped that when Professor Hodder comes to publish a more complete bibliography, his references for the study of such cities as Paris, Berlin and Vienna will give a better idea of the literature upon the subject. In making this start, the author has done a real service to the study of some of the most important problems the American people have to face, and it remains with him to greatly enhance its value by giving it that completeness which the subject merits.

A NEW bi-monthly journal, with the title of *Schweizerische Blätter Wirtschafts und Socialpolitik*, has appeared under the editorship of Dr. Otto Wullschleger. The first number was issued July 1, 1893. Twenty-one persons in academic and official life in Switzerland cooperate in editing the magazine, which is published at Basel. The object of the publication is, first of all, to discuss the current economic and social questions of Switzerland; and, secondly, to devote attention to the treatment of social questions in which the public generally have greatest interest. The contents of each number contain six divisions: First, papers upon the present economic and social questions; second, the social outlook, the object of which is to present a critical account of social events; third, an economic chronicle in which the doings of the economic life of Switzerland and foreign countries are to be briefly outlined; fourth, statistical memoranda; fifth, book department and bibliography of current economic writings; sixth, miscellaneous notes. The papers thus far have been devoted mostly to labor problems, and principally to questions of insurance and the problem of dealing with the unemployed. The book

* *Bibliography of Municipal Government in the United States*, by F. H. HODDER. *Kansas University Quarterly*. April, 1893.

department and bibliography have, as yet, been very brief and of comparatively little value. There is, however, ample room for the development of such a magazine as this, and scholars, both in and out of Switzerland, can be helped to a large amount of useful information if the future of the publication is such as its beginnings promise.

THE AMERICAN INSTITUTE OF CHRISTIAN SOCIOLOGY was formed at Chautauqua on July 19th last. At the preliminary meeting held upon that day, Professor R. T. Ely was made temporary chairman, and Professor John R. Commons provisional secretary. Brief addresses were delivered by Professor Ely, Rev. George D. Herron and Rev. Frank Russell, showing the need of a society whose work should be that of encouraging and aiding, among the people of America, the study of social questions from both the scientific and the Christian standpoint. A committee was appointed to report a Constitution and nominate officers. The next day another meeting was held at which the Constitution was adopted and the following officers chosen: president, Professor Richard T. Ely; vice-presidents, Bishop John H. Vincent, Rev. Josiah Strong, D.D., Rev. Philip S. Moxom, D.D., Rev. John H. Barrows, D.D., and Rev. J. H. Garrison; secretary, Professor John R. Commons; treasurer, Charles Beardsley LL.D.; and principal of instruction and organization, Rev. George D. Herron, D.D. As set forth in the Constitution, the objects of the institute are:

"1. To claim for the Christian law the ultimate authority to rule social practice;

"2. To study in common how to apply the principles of Christianity to the social and economic difficulties of the time;

"3. To present Christ as the Living Master and King of men, and His kingdom as the complete ideal of human society to be realized on earth."

Their methods of work will include the publication of papers which relate to Christian sociology, the recommendation of courses of reading, the preaching of sermons and delivery of addresses on sociological topics especially upon the first Sunday of May and Sunday before the first Monday of September, the formation of local institutes for study and practical work, the encouragement of the study of social science by founding libraries, scholarships, fellowships, lecture-ships and professorships, and annual conventions of the general body. Any person may become a member of the institute. Two general summer meetings have been arranged. The first will be held early in the summer of 1894, at Grinnell, Iowa, under the auspices of Iowa College, and the other at Chautauqua.

SWITZERLAND was, during the month of August, the scene of a very interesting and peculiar Constitutional contest. In pursuance of the Amendment to the Swiss Constitution, passed in 1891, giving the people the right to propose or initiate amendments which must be submitted by the Federal authorities to popular vote whenever demanded by a petition signed by at least 50,000 citizens, the friends of the Societies for the Protection of Cruelty to Animals and the promoters of an anti-Jewish sentiment, combined for the purpose of securing a Constitutional Amendment, to prohibit the slaughter of animals in any way except by first stunning them, or, in other words, declaring the Jewish method of slaughter to be unlawful. The exact words of the clause which was proposed and has since been added to Article 25 of the Swiss Constitution are as follows: "*Il est absolument interdit de saigner les animaux de boucherie sans les avoir étourdis préalablement; cette disposition s'applique à tout mode d'abattage et à toute espèce de bétail.*" The petition asking to have this amendment submitted to popular vote was signed by upwards of 80,000 citizens, for the most part from the German Cantons, where the anti-Semitic feeling was strongest. It was the first use to be made of the people's right to the initiative as granted by the Amendment of 1891. It was fiercely opposed by the French-speaking Cantons and by most of the influential journals and Constitutional authorities as an unfit regulation to introduce into the body of the Constitution, even if justified on grounds of public necessity or desirability, which latter argument was opposed by the ablest authorities on the subject. The matter came to vote on the twentieth of August, and the Amendment was accepted by a majority of the people and a majority of the Cantons—the two conditions essential to make it a part of the Constitution. The vote was a close one, in round numbers, 195,000 in favor and 120,000 opposed, and eleven and a half Cantons in the affirmative to ten and a half in the negative. As a matter of fact, it may be said the seven hundred affirmative votes in the Canton of Zoug, the smallest of the Swiss Cantons, or deducting the four hundred negative votes, we have three hundred votes that decided the question. The whole episode is an extremely interesting one from many points of view. The insertion into the Constitution—a code of fundamental principles—of a mere police regulation reminds one of some of our American constitutions.